



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

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

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EXECUTIVE SUMMARY

Many banking needs of women, either for their businesses or for themselves and their families, are not yet met in Uzbekistan. This 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 banking products utilization.

Uzbek women express a strong desire for more convenience in banking, with reduced waiting lines, and friendly and helpful staff. They strongly prefer using mobile apps to interact with banks. Therefore, besides improving physical interactions in banking, enhancing the user experience and usability of digital banking services would be a strong differentiator for FIs

Uzbek women in the retail segment look for more guidance on achieving financial stability. All three women's retail banking segments identified in this research (urban young professionals, urban family managers, and women outside of urban areas) expressed a strong interest in working with FIs to plan a more secure financial future. Helping them with finance – either for their education (urban women without children) or their children's education (women with children) – was a key motivator for them to avail formal financing. FIs should understand the diverse needs of the women's retail segments and offer tailored solutions to help them achieve their goals. A key to this cooperation is employing a customer-centric mindset in future solution-development efforts to allow FIs to position themselves as partners instead of providers.

Women-led businesses face additional challenges with access to finance, information, and markets. Women entrepreneurs across the three segments identified in this research (early-stage entrepreneurs, stability-oriented entrepreneurs, growth-oriented entrepreneurs) have diverse needs. However, they all face constraints unique to WMSMEs as they juggle multiple domestic and professional responsibilities. In general, WMSMEs seemed content with their financial management, and reported having a relatively good understanding of financial services; yet their usage of these services is limited. Additionally, Uzbek women entrepreneurs expressed a strong latent demand for non-financial services, which would provide them with better access to information and markets, and help them run their businesses more efficiently.

Most FIs in Uzbekistan are yet to understand and capitalize on the potential to offer targeted banking services to women. Currently, they focus on basic banking services, which are at risk of becoming commoditized – conventional banking with little product differentiation and high reliance on collateral. Although the financial sphere is now undergoing market reforms and moving away from a legacy of state-intervention that limited inclusivity and effectiveness, the sector is still dominated by state-owned banks. Current market offerings resemble a form of “banking as a commodity”. Therefore, there is an opportunity to provide value-added banking services for women, both as individuals and entrepreneurs. Simultaneously, new entrants are driving the disintermediation of the financial services sector. Disruptors have entered the market with a variety of services – mostly niche, but some have already gained significant traction.

The enabling environment is conducive overall; however, further progress on socio-cultural aspects could strengthen the case for women's empowerment. The overall picture of women's empowerment is mixed, with relatively low performance in finance and decision-making. Uzbekistan's performance on gender-equality indices is better than the global average (64 of 188) but there is room for improvement in employment, wages, pension, and doing business

Legally, all women and men have equal rights and freedoms (including the right to own land and property, and the right to use financial services). However, women own less than one-quarter of land in Uzbekistan. The government has set up special institutions to support gender-related policies. Nevertheless, in practice, women's rights are not always upheld. Traditional views on women's household responsibilities hinder women's economic activity. This can be linked to socio-economic inequalities that disproportionately affect women as well as an underdeveloped pre-school system that places much of the burden of early childhood education on women themselves.

For FIs, this translates into a yet untapped commercial opportunity of up to UZ\$45 trillion (\$4.1 billion) in annual revenue in the 'transformational' scenario, or a more immediate market opportunity of UZ\$13.9 trillion (\$1.3 billion) in the 'quick-win' scenario, while the current market is estimated to stand at UZ\$4.6 trillion (\$420 million).¹ The assessment of the potential that women clients represent for Uzbek financial service providers has a substantial untapped upside. This is true even before accounting for potential collateral benefits that women offer as strategically important clientele.

Research conducted for this study serves as a basis to estimate the business volumes and potential revenues for women as business banking/MSMEs and retail clients in Uzbekistan under three settings.

- Firstly, our demand-side research considers the current-level of use of formal finance as a snapshot in the absence of sex-disaggregated supply-side data.
- Secondly, our research considers a "quick-win market opportunity", which could be implemented quickly to serve the current unmet financial needs of each woman's segment in this study.
- Finally, it considers 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 current banking-as-usual model.

While the transformational market potential for FIs is significant, their legacy positions are under threat from disruptors and foreign entrants. As reforms in Uzbekistan's financial sector create new opportunities, foreign entrants leverage their strong market positions and advanced digital transformation to create momentum for entry. Currently, disruptors seize what may seem to be a part of the client's total "wallet" of financial services, but at the same time other innovators are implementing 'embedded finance' following worldwide trends, and posing a stiff strategic threat.

To address this opportunity, FIs should start making client-centricity a strategic priority. They should measure and analyze data, establish a gender-inclusive mindset, and develop holistic value propositions for women and women-led businesses. Making client-centricity the basic principle for 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 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.

1. BRIEF BACKGROUND ON THE RESEARCH METHODOLOGY

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

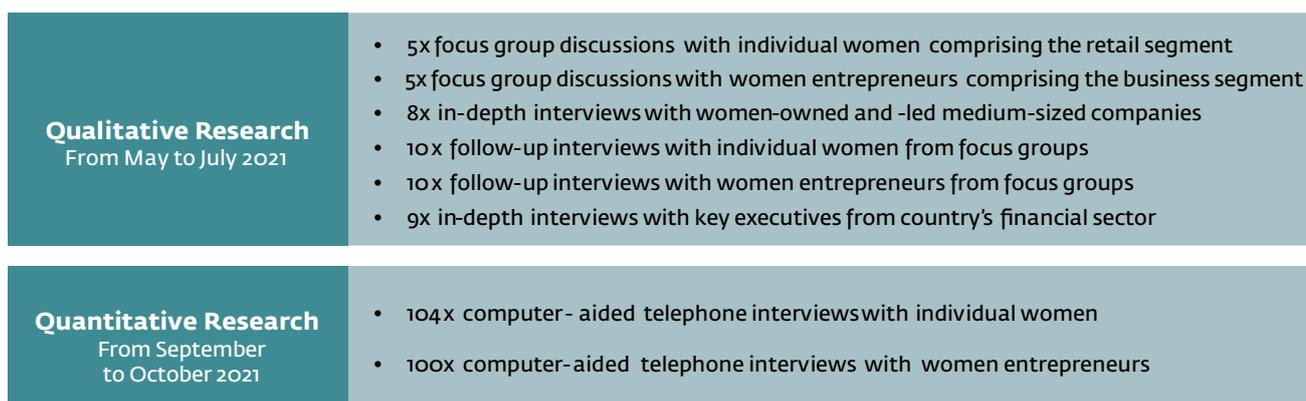


Figure 1 — Overview of Research Methodology

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

This report develops an assessment of the demand-side of the women’s market by distinguishing between the business and retail segments. This principal division is then further subdivided to account for a more nuanced representation of the segments based on the stage of life following the definitions outlined below:

Business Segment: Women who are economically active either in self-employed status as 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	29,00	22%
Stability-oriented	23,000	17%
Growth-oriented	82,000	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	826,789	6%
Urban Family Managers	5,900,546	46%
Rural Women	6,072,009	47%

Table 2 — Market size: retail segment

2. THE OPPORTUNITY FOR SERVING THE WOMEN'S MARKET

The assessment of the potential that women clients represent for Uzbek financial service providers reveals substantial untapped upside. This is true even before accounting for potential collateral benefits that women offer as strategically important clientele.

Research conducted for this study is a basis to estimate the business volumes and potential revenues for women as business banking/MSMEs and retail clients in Uzbekistan under three settings – 1) the current use of formal finance as a snapshot in the absence of sex-disaggregated supply-side data, 2) a “quick-win market opportunity,” with changes in market practices to serve the women’s current unmet financial needs, and 3) “transformational market opportunity” with a dedicated approach to the women’s market and development of an innovative value proposition and service model. The transformational scenario presents a snapshot of the market that assumes full adoption of a more inclusive approach to banking practices.²

The full potential of this opportunity is worth nearly 10 times its current value — a more gender-intelligent financial sector stands to gain nearly UZ\$45 trillion (\$4.1 billion) in annual revenue from inclusion of women in both retail and business segments, based on our transformational model.³ Individual women represent a transformative upside of up to 10 times the current revenue compared with less than half as much relative growth potential for the already better served women MSMEs.

Thus, the full transformative revenue potential of the women’s retail market is estimated at around UZ\$43 trillion (\$4 billion), while the businesswomen’s market holds a total latent transformational potential of UZ\$1.7 trillion (\$155 million). Most of the upside that women-led businesses hold for banks is through serving their professional financial needs. However, their personal financial needs offer a bigger relative potential for increase and could account for one-third of all revenue from women MSME clients, up from less than one-fifth (18 percent) today.

Unmet Market Potential — Uzbekistan		
UZ\$ billions	Business	Retail
Current	2,107	41,565
Quick-win Market Opportunity ⁴	3,803	189,595
Multiple to Current	1.8x	4.6x
Transformational Market Opportunity ⁵	16,757	440,551
Multiple to Current	8.0x	10.6x

Table 3 — Potential market estimates: business segments

² For methodology, please see appendix B.

³ 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.

⁴ 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.

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.

Unmet Market Potential – Women Entrepreneurs							
UZS billions	Lending volume	Deposit volume	Lending revenue	Deposit revenue	Revenue from transactions	Revenue from insurance	TOTAL
Current	1,311.2	442.2	101.7	29.3	219.7	2.8	2,107
Quick-win Market Opportunity ⁶	2,579.2	734.9	183.7	51.3	251.6	2.6	3,803
Multiple to Current	0.7X	1.7X	1.8X	1.8X	1.1X	0.9X	1.8X
Transformational Market Opportunity ⁷	14,617.1	462.1	1,028.8	152.7	439.6	56.7	16,757
Multiple to Current	11.1X	1X	10.1X	5.2X	2X	20.4X	8.0X

Table 4 – Potential market estimates: business segments

Unmet Market Potential – Individual Women							
UZS billions	Retail lending volume	Deposit volume	Lending revenue	Deposit revenue	Revenue from transactions	Revenue from insurance	TOTAL
Current	16,193.8	21,136.1	1,496.9	1,829.8	821.7	86.9	41,565
Quick-win Market Opportunity ⁸	79,938.2	96,327.7	5,056.1	6,852.6	1,351.8	68.1	189,595
Multiple to Current	4.9X	4.6X	3.4X	3.7X	1.6X	0.8X	4.6X
Transformational Market Opportunity ⁹	225,369.2	167,861.3	30,355.3	11,366.0	4,404.6	1,195.0	440,551
Multiple to Current	13.9X	4.9X	20.3X	3.8X	5.4X	13.8X	10.6X

Table 5 – Potential market estimates: individual women segments

Currently, serving women's financial needs is worth an estimated volume of UZS17.5 trillion in loans (\$1.61 billion) and UZS4.6 trillion in revenues (\$420 million). The resulting contributions to financial institutions' revenue could come mainly from the interest spread on deposits – over 40 percent of the total revenue potential. Transaction services could account for over 20 percent of the total, and one-third could arise from loan revenue after accounting for risk costs. Brokerage fees for insurance policies could constitute 10 percent of the loan revenue.

In terms of current segment composition, individual women already account for 12 times the revenue and loan volume of businesswomen. The total women's retail market in terms

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.

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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.

of revenues is estimated at around UZ\$4.2 trillion (\$390 million) and the businesswomen's market at around UZ\$350 billion (\$33 billion). For women in retail, the bulk of the revenue pool they represent comes from the net interest income from saving and lending (80 percent of women's retail revenue). Currently, for women SME clients, transactions are the largest source of FI revenue, at over 60 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 make concrete steps today to benefit from the more immediate 'quick-win' potential of the total women's market of UZ\$13.9 trillion (\$1.3 billion), representing thrice the current revenue. There is an encouragingly strong latent demand for more credit (4.6 times current levels). However, strong disapproval of current lending practices and concerns about the risk of being in the debt of banks mean that FIs are unlikely to 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) that are instrumental to building trust are likely worth 60 percent of revenue in the "quick-win" context (UZ\$6.9 trillion or \$640 million). For incumbent FIs, banking relationships can achieve full credit potential once best-in-class (digital) lending offers – based on data, understanding, trust, and ease of use – become a reality in a more transformational, inclusive future of Uzbek finance.

As key to strategic transformation, a gender lens is the best guide to turning today's *banking as usual* model (that also performs poorly for many men) into more successful value propositions. As suggested by the still-low rates of financial inclusion in Uzbekistan for both men and women, clients' needs, constraints, and preferences are not properly addressed.¹⁰ The challenges that many women face – such as limited financial literacy, lack of hard collateral, and concerns about the risks related to formal credit – 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, offers 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 balance out different client needs. By striving to meet women's banking needs, financial institutions can exceed the expectations of their male clientele as well.

Women customers are a keystone; not just to win the future but also to defend the incumbents' market position against challengers. Everyday use-cases of finance in households (that is, those related to purchases and savings) are predominantly handled by women in their roles as spouses. These are exactly the type of use-cases in 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 financial service providers would benefit from "client engagement" opportunities every day. Such engagements are an indicator of success that B2C startups often try to create and capture at great cost. It is essential for bank executives to secure these use-cases for their own institutions to create data, track records, and build trust relationships with clients. These can then be leveraged into cross-selling opportunities while securing low-cost deposits as a source of funds. This opportunity for maximizing share-of-wallet for women as individuals or entrepreneurs accompanies the prospect of maximizing market share, given the multiplier potential of women as influencers among their friends, families, and communities.

¹⁰ 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

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

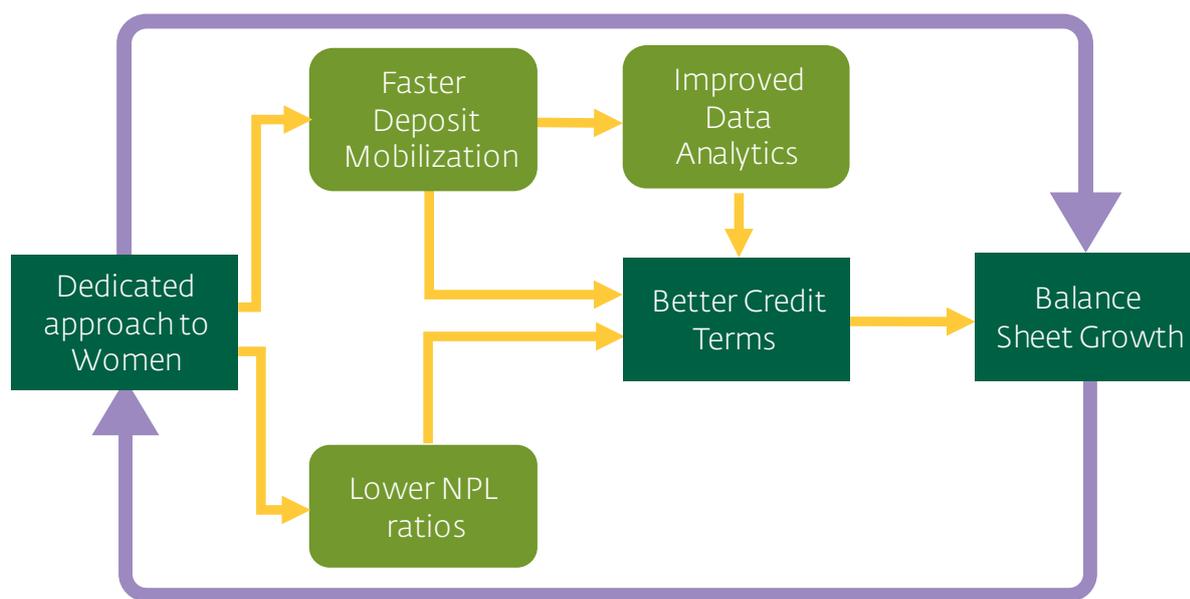


Figure 2 — Positive loop cycle enabling long-term sustainable competitive Advantage

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

1. **Higher propensity for cross-selling** – Women have demonstrated at least the same demand for financial products as men, and in many cases, surpass men with a higher average number of products.
2. **Higher degree of loyalty** – Provided that their bank establishes a strong relationship with them, women have shown greater loyalty than men. Women also tend to stay active once their banking habits become ingrained. Women seem to value trust particularly strongly. This is an area where additional effort from financial institutions could bear significant results: lower churn ratios that translate into higher lifetime-value of clients, ceteris paribus, and lower marketing expenditures on client acquisition and retention to preserve the client base.

¹¹ 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

¹² Measuring the Value of the Female Economy, Financial Alliance for Women, 2020: <https://financialallianceforwomen.org/download/measuring-the-value-of-the-female-economy-2020/>

3. **New client growth** — Reflecting their fostering of social ties, female clients tend to be better net promoters of FIs that meet their needs. A higher propensity for word-of-mouth marketing on the part of women should lead to higher client growth without additional marketing costs for FIs. Clever 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.¹³ Financial inclusion is a key complement to women’s social and economic inclusion. If FIs can ensure that women’s substantial savings habits fund formal financial intermediation, this can supercharge investments at favorable, local currency terms. Fostering their ability to reliably build a financial nest egg for their families would enhance economic resilience. Ensuring that payments can reach them instantly and fully not only smoothens the workings of the economy but has also proven to enhance the impact of government support to families before¹⁴ and during crises, such as the COVID-19 pandemic.¹⁵

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.¹⁶ 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.¹⁷ Given the immense strategic and tactical benefits outlined above, they should have every incentive to be ahead of the curve on Uzbekistan’s women’s market.

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

¹⁴ 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

¹⁵ Such as Togo’s innovative “Novissi” program to informal workers ramped up within days at the outset of the pandemic.

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

¹⁷ Uzbekistan’s central bank has joined the Alliance for Financial Inclusion (AFI) and is seen by AFI’s Gender Inclusive Finance team as actively endorsing the agenda of women’s financial inclusion set out in the alliance’s Denarau Action Plan



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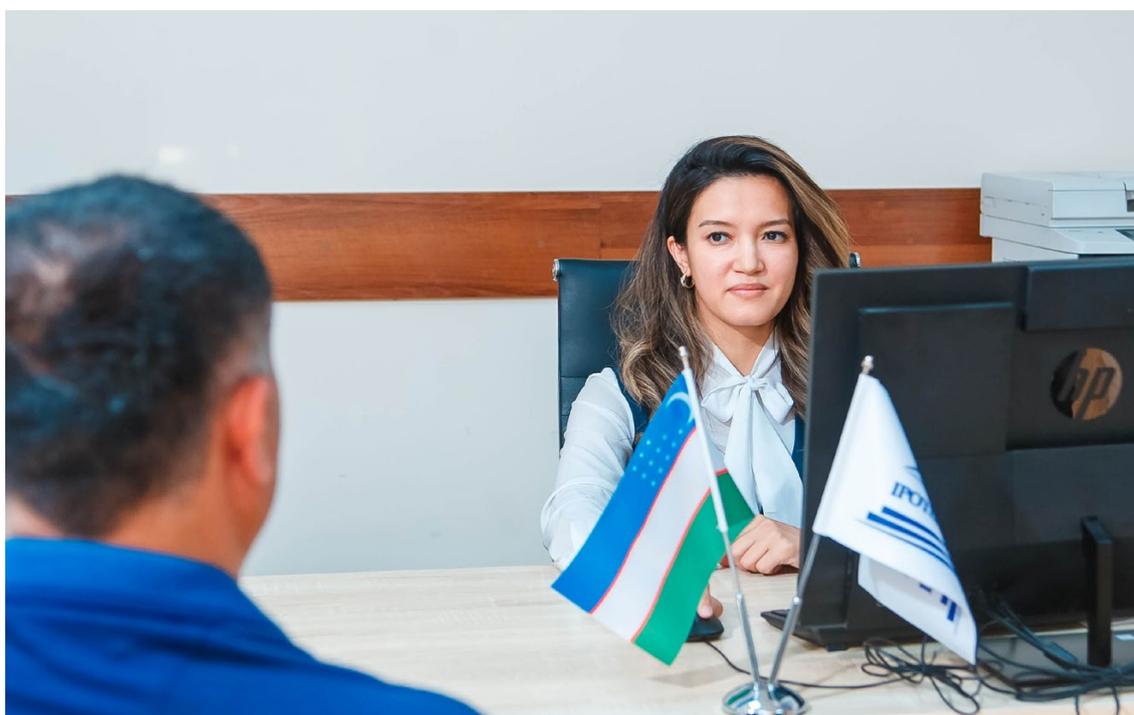
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3. DEMAND-SIDE ASSESSMENT OF THE UZBEK WOMEN'S BUSINESS AND RETAIL MARKET

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 Uzbekistan, as well as to quantify the size of these women's markets for FIs. This research considers the needs of female clientele beyond the scope of 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.
- 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:** often coming in the form of 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 Uzbekistan

3.1.1 Introduction

WMSMEs constitute around 16 percent of the SME landscape in Uzbekistan. We estimate that there are over 29,000 early-stage, 23,000 stability-oriented, and almost 82,000 growth-oriented WMSMEs in Uzbekistan.

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

Stability-oriented businesses are more established WMSMEs with at least two years of experience since their foundation. These businesses are usually characterized by a more risk-averse, stability-focused strategy linked to moderate but balanced growth up to 10 percent.

Growth-oriented businesses have been in business for at least two years but compared to their stability-oriented counterparts are more optimistic in their outlook, seeking growth rates often significantly above 10 percent. These women entrepreneurs tend to be more aggressive toward growth expectations, and more open to innovation and risk taking.

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



Figure 3 — Business Segment Population Estimates

	Early-stage	Stability-oriented	Growth-oriented
Commerce: Retail & Wholesale	52%	25%	39%
Textiles & Leather	21%	25%	26%
IT & Digital Services	-	8%	10%
Renewable Energy	-	-	6%
Hospitality	3%	3%	6%
Education	6%	11%	3%
Livestock herding	-	8%	3%

Table 6 — Top seven Industries WE operate in: business segment

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	5	9,100	61%	21%	15%
Stability-oriented	18	18,125	64%	19%	3%
Growth-oriented	21	27,775	48%	16%	13%

Table 7 – Descriptors and financial behavior: business segment

3.1.2 Overview of Key Findings and Resulting Gaps: Business Segment

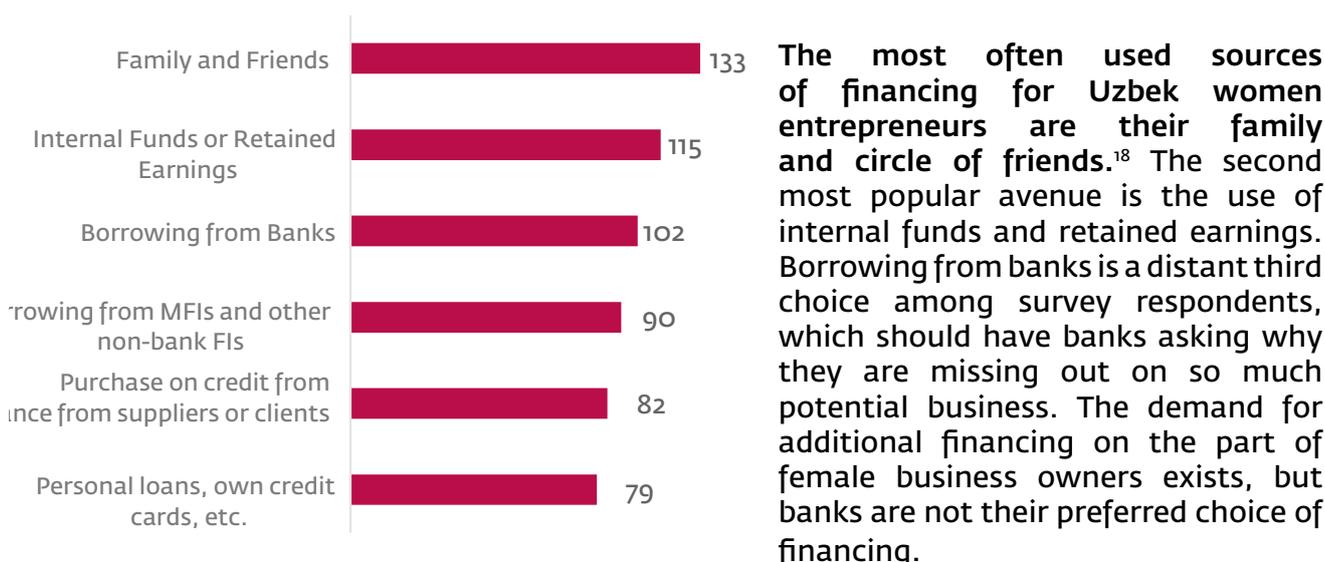


Figure 4 – Most Important financing route: business segment; average rank indexed

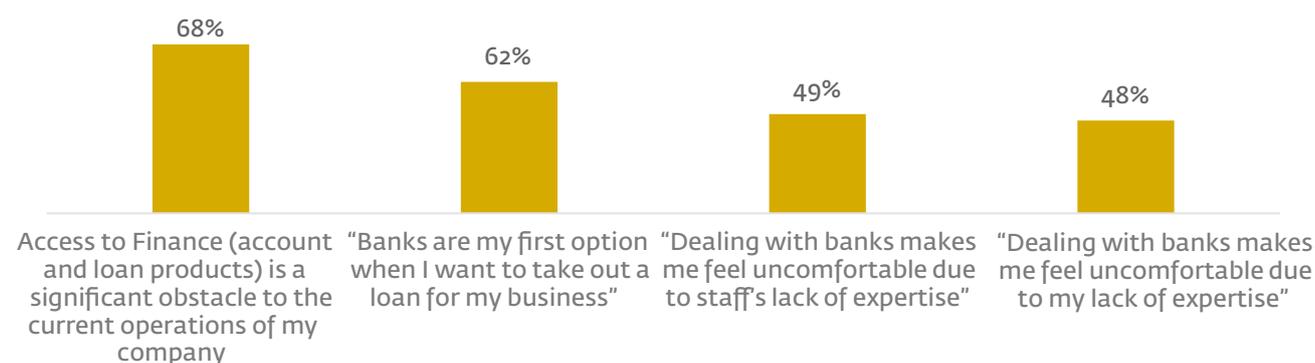


Figure 5 – Attitudes towards FIs – Business segment, percentage of respondents who agree

¹⁸ This figure as well as the others reflects findings from the field research conducted for this study

Figure 5 further supports the impression that the Uzbek banking sector is leaving a lot of money on the table by not fully meeting female entrepreneurs' demand for financing. 68 percent of businesswomen interviewed, identified lack of access to bank accounts and loan products as significant obstacles to running their companies. Over 60 percent of these female entrepreneurs consider banks as their first option for loans, yet most still turn to family and friends or to internal funding. Almost half of the respondents attributed their lack of comfort with banks to their own lack of expertise, while half pointed to the bank staffs' lack of expertise as a source of discomfort.

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

3.1.3 Improved Credit Offers – a Key Attribute for Ideal FIs to Better Serve WEs

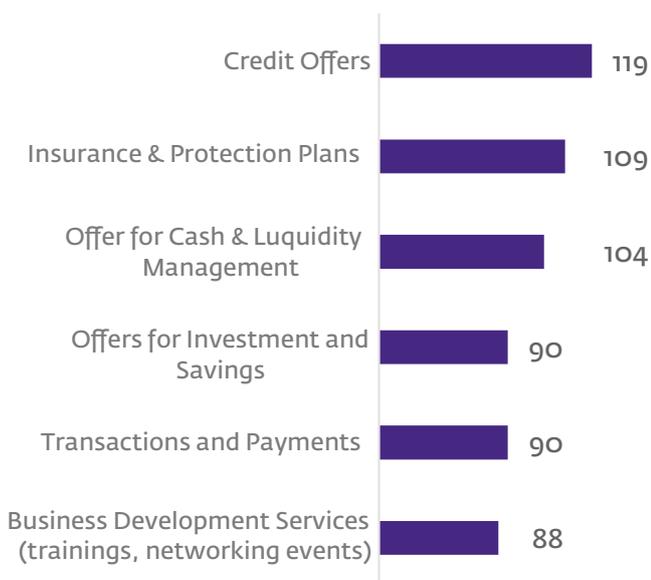


Figure 6 — Most Important banking services for their business. average rank score indexed

As revealed by this market research, women-led businesses have specific expectations from banks – improved, flexible, and tailored credit offerings in line with international best practices. However, lack of access to finance poses the strongest obstacle to their growth. Women entrepreneurs across all segments express strong demand for credit with lower interest rates and more flexible collateral requirements and conditions. Early-stage and stability-oriented business women would particularly appreciate fast and efficient ways of taking out loans (for example, through digital means and with minimal personal interaction), while growth-oriented women would better appreciate the ability to make long-term investments or pay recurring business expenses in installments.

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

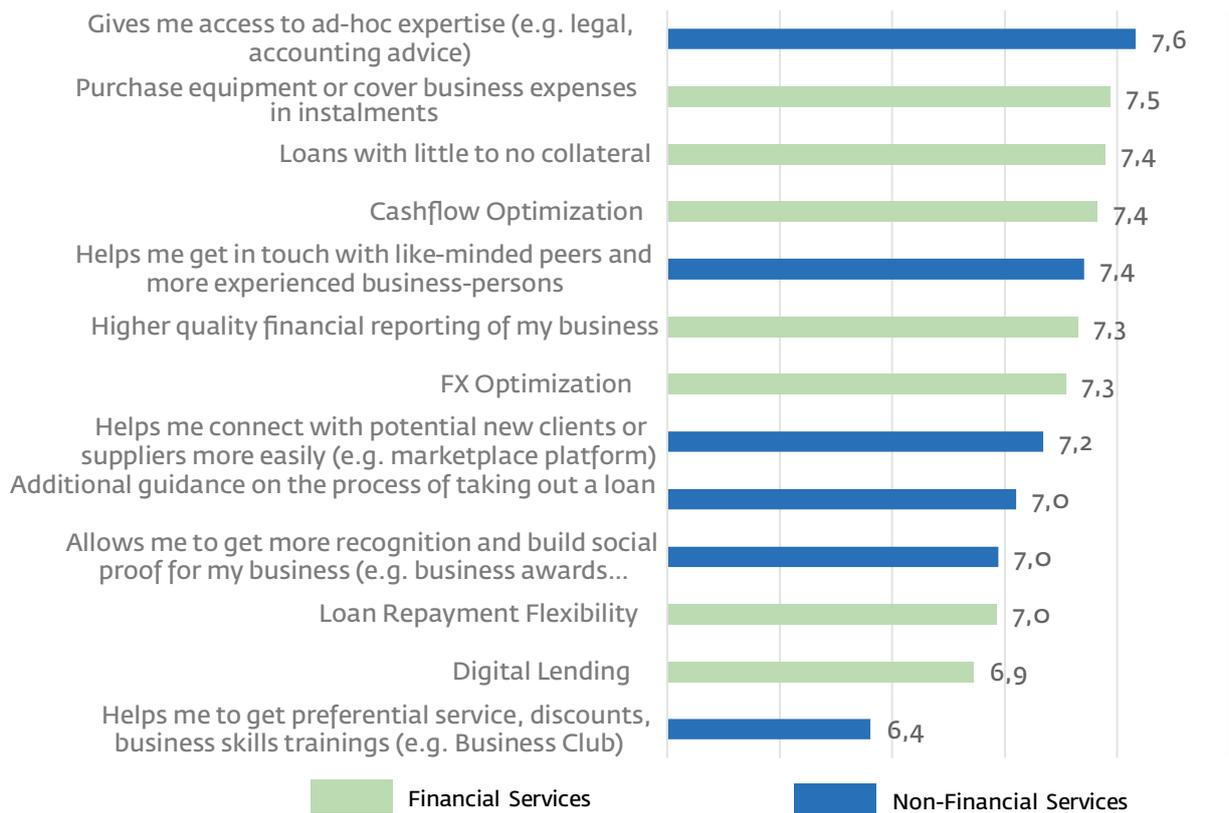


Figure 7 — Ranking of products/service solutions to support the business: business segment

While tailoring banking services to meet the specific needs of women entrepreneurs, it is important to note that they are most interested in support on: 1) access to ad-hoc advice, 2) support to pay in installments for equipment or expenses, and 3) loans without collateral, or with more flexible collateral requirements. The most popular feature of receiving ad-hoc advice (for example, legal or accounting advice), after getting connected with the right partners, would enable these business owners to overcome operational business challenges more easily outside their core business, which often bind significant resources. Although such a service would be welcomed by all segments, it was favored most by growth-oriented businesswomen, who often struggle with requirements outside their core business while managing their company's growth.

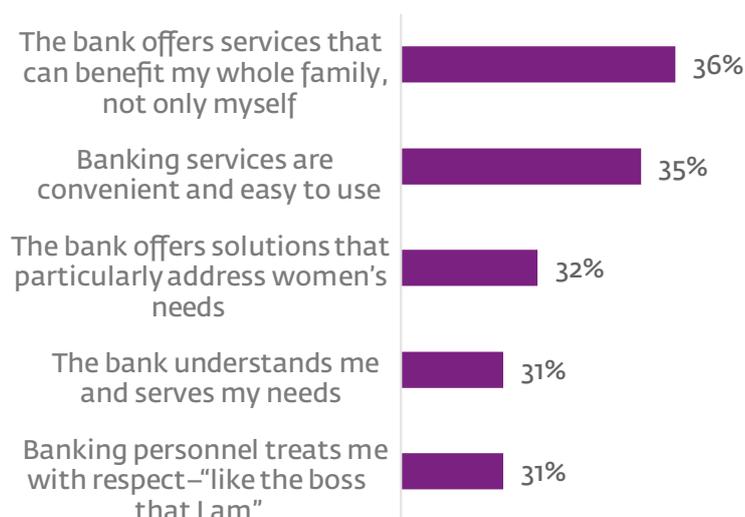


Figure 8 — Top 5 customer service items most often selected

Overall, we see that women are keen to receive support from banks, both in financial and non-financial services. Women-led businesses see tremendous value in getting support to run and grow their businesses. While this can be through access to expertise outside their core operations, it can also be support on business 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 via a financial dashboard. On the financial side, we see that different

aspects of access to finance, higher flexibility, and tailored solutions paired with information on how to make the best use of any financing, are very attractive.

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

	Formally Registered	Formal Without Business Bank Account
Early-stage	88%	38%
Stability-oriented	88%	28%
Growth-oriented	94%	50%

Table 7 — Business bank account ownership rate: business segment

While the needs identified above are shared among all women entrepreneurs in the survey, each segment comes with its own distinctive features. FIs should consider these differences when designing their value proposition and outreach. For instance, business bank accounts see the highest uptake from stability-oriented entrepreneurs. On the other hand, half of growth-oriented women entrepreneurs surveyed reported not having a business bank account, although they had the highest share of formal registration (94 percent). However, these women are more likely to open business bank accounts as their company's annual sales grow.

3.1.4 Early-Stage Women Entrepreneurs

Unmet Market Potential – Early-Stage Women Entrepreneurs						
UZS billions	Lending Volume ¹⁹	Deposit Volume	Lending Revenue	Deposit Revenue	Transactions Revenue	Insurance Premiums
Current	102.2	61.4	8.4	5.4	19.0	0.3
Quick-win Market Opportunity ²⁰	368.5	84.2	28.9	7.0	22.1	0.5
Multiple to Current	3.6x	1.4x	3.4x	1.3x	1.2x	1.6x
Transformational Market Opportunity ²¹	1,595.2	47.3	120.5	15.6	43.4	5.7
Multiple to Current	15.6x	0.8x	14.3x	2.9x	2.3x	19.4x

Table 8 — Potential Market estimates: early-stage entrepreneurs

¹⁹ 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.

²⁰ 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.

²¹ 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.

The early-stage women entrepreneurs' segment is an attractive one for FIs to get to know early on when these entrepreneurs begin to actively look for financial solutions for their new business venture. The majority (61 percent) of the early-stage women entrepreneurs are relatively well integrated into the formal financial system in terms of account ownership, but this has not yet translated into formal borrowing.

Only 6 percent of the segment has borrowed from a formal financial institution, and they constitute the least profitable segment for borrowing – the current business lending revenue generated by them is estimated at UZ\$5.7 billion (\$0.5 million) (total lending interest revenue is estimated at around UZ\$8.4 billion or \$0.7 million).

Being a relatively underdeveloped segment, early-stage businesses are behind their peers in transactions as well. The segment's current transaction revenue stands at UZ\$19 billion (\$1.8 million). However, given the segment's relatively high account ownership rate, there seems to be a significant potential for FIs to increase the share of loans and transactions held by early-stage entrepreneurs. This is especially since 15 percent reported interest in obtaining further financing. If captured, it could mean an immediate 'quick-win' market opportunity of UZ\$368.5 billion (\$33.8 million) in lending volume and UZ\$29 billion (\$2.7 million) in lending interest revenue.



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

As women entrepreneurs in their starting phase, this segment expressed a strong need for learning, guidance, and a sense of community to help them establish their businesses in the long run. Many early-stage entrepreneurs feel "lost in the woods" when it comes to their finances and most often have little or no experience in financial planning. As a result, this segment would strongly appreciate easier access to relevant expertise, and a dashboard of their business finances, to help them develop financial projections.

Many women with regional business dealings would strongly appreciate help working with foreign currencies and minimizing losses from fluctuations. These new business owners are also actively looking to meet peers and experienced entrepreneurs who could potentially help them navigate the typical roadblocks faced by new businesses. They are particularly keen to take advantage of networking events that enable them to expand their circle of business contacts.

3.1.5 Stability-oriented Women Entrepreneurs

Unmet Market Potential – Stability-Oriented Women Entrepreneurs						
UZS billions	Lending Volume ²²	Deposit Volume	Lending Revenue	Deposit Revenue	Transactions Revenue	Insurance Premiums
Current	251.0	88.3	19.1	5.5	39.4	0.5
Quick-win Market Opportunity ²³	243.7	116.6	15.9	9.8	41.6	0.5
Multiple to Current	1X	1.3X	0.8X	1.8X	1.1X	1X
Transformational Market Opportunity ²⁴	2,124.0	44.3	148.4	20.3	68.2	9.0
Multiple to Current	8.5X	0.5X	7.8X	3.7X	1.7X	18.9X

Table 9 – Potential market estimates: stability-oriented entrepreneurs

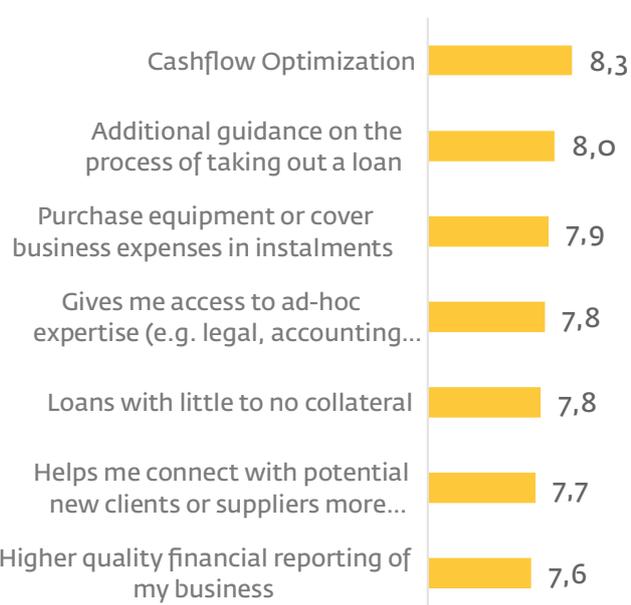


Figure 10 – Top 7 banking services most attractive for stability-oriented entrepreneurs

Stability-oriented women entrepreneurs seem to be the most solidly embedded in the formal financial systems with a 67 percent account-ownership rate. A relatively small share of the segment (15 percent) has borrowed in the past, but those who have, seem to prefer formal financing (83 percent). This leads to an estimated UZS188.5 billion (\$17.4 million) in business lending volumes (UZS251 billion or \$23.2 million in total lending). The corresponding business lending revenue is estimated at around UZS14.4 billion interest revenue (\$1.3 million) (total lending revenue of UZS19.1 billion or \$1.8 million).

Transactions are not yet widely used, but those who transact do so with amounts that are on average almost twice the size of the early-stage segment, with a current transaction revenue of approximately UZS39 billion (\$3.6 million). Contrary to its risk profile, the segment shows

lower-than-average insurance uptake with below 10 percent shares in all insurance product categories (the highest share is reported for property and vehicle insurance, both at 9 percent). The risk-averse profile of this segment, points to a potential to increase insurance penetration with a targeted strategy.

²² 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.

²³ 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.

²⁴ 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.

Focused as they are on stable business development, flexible and tailored solutions are valuable for this segment. Stability-oriented women tend to value business advice from formal sources over informal ones, such as friends or family. They particularly value receiving direct guidance from FIs on credit offers – providing them with assistance on taking out and making the best use of loans.

In contrast to their growth-oriented counterparts, these women tend to act out of necessity and prefer to keep things stable – maintaining a healthy cash flow is one of the key concerns for this segment. They would greatly appreciate being able to purchase equipment or cover business expenses in installments to smoothen out liquidity issues. They would also welcome assistance in tracking and optimizing their cash flows.

3.1.6 Growth-Oriented Women Entrepreneurs

Unmet Market Potential – Growth-oriented Women Entrepreneurs						
UZS billion	Lending Volume ²⁵	Deposit Volume	Lending Revenue	Deposit Revenue	Transactions Revenue	Insurance Premiums
Current ²⁶	957.9	292.4	74.1	18.3	161.3	2.0
Quick-win Market Opportunity ²⁷	19	534.0	138.9	34.4	187.9	1.7
Multiple to Current	0.3X	1.8X	1.9X	1.9X	1.2X	0.8X
Transformational Market Opportunity ²⁸	10,898.0	370.4	759.9	116.8	328.0	42.0
Multiple to Current	11.4X	1.3X	10.3X	6.4X	2X	20.9X

Table 10 – Potential market estimates: growth-oriented entrepreneurs

Growth-oriented women entrepreneurs inherently hold sway over the WMSME market due to their large numbers and their frequent use of formal services make them a key segment to serve. Growth-oriented women entrepreneurs are relatively frequent borrowers at financial institutions. Like their stability-oriented counterparts about 18 percent of growth-oriented women entrepreneurs have borrowed money in the past, and of these, 83 percent have borrowed from a formal source. Consequently, they are the biggest contributors of lending volumes in the WMSME banking market, with approximately UZS750.8 billion (\$69.3 million) business credit volume amounting to a UZS58.4 billion (\$5.4 million) revenue.

A further 12 percent of the women in this segment expressed interest in future formal borrowing, amounting to an immediate 'quick win' potential of UZS8.6 trillion (\$790.9 million) business lending volume and a corresponding UZS87.9 billion (\$8.1 million) business lending interest revenue.

²⁵ 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.

²⁶ For the methodology, please see appendix B

²⁷ 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.

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

The segment is also a relatively frequent user of transactions, transacting with the largest average amount among the three segments. Their transaction revenue is estimated at around UZS161.3 billion (\$14.9 million).

The segment outperforms its peers in the insurance market as well, with 28 percent of growth-oriented entrepreneurs having property insurance and 14 percent health insurance, per the survey. This contributes to the relatively sizeable banks' share of insurance revenue of about UZS2.0 billion (\$0.2 million). The total transformational market potential of the segment is estimated at UZS10.9 trillion (\$1 billion) in lending volume and UZS370 billion (\$34.2 million) savings volume leading to UZS759.9 billion (\$70.1 million) in lending interest revenue and UZS116.8 billion (\$10.8 million) in savings interest revenue.

This segment targets to grow their business significantly in future and requires support for this. For growth-oriented women, having sufficient capital for investment is often a challenge. To further drive sales, these women would most appreciate help with purchase and use of new equipment without having to pay for it in full up-front.

Like the other segments, easier access to expertise is at the top of their needs and is of particular importance for these women who prefer to focus on areas of their business they are best suited for. To assist them with making more informed decisions, they need high quality, yet easily accessible financial information and reporting. Growth-oriented entrepreneurs are also hungry to connect and learn from other more seasoned business owners. They expressed a strong need for networking opportunities that would enable them to find the right mentorship to fully realize their ambitions



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 • Help with understanding their business finances • Minimize losses arising from foreign currencies fluctuations 	<ul style="list-style-type: none"> • Training on business skills • Networking events • Help her get an initial understanding on the current state of her business • Services to optimize FX and reduce cost
Stability-oriented	<ul style="list-style-type: none"> • Aid with maintaining healthy cash flows for greater peace of mind • Guidance on the process of taking out loans 	<ul style="list-style-type: none"> • Help her keep track of her business finances and optimize their cash flow • Provide “Buy Now, Pay Later” (BNPL) schemes to smoothen out cash flow lumps • 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 • High quality, yet easy to get financial information and reporting • 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 • Help them keep track of their finances and optimize their cashflow • 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 Uzbekistan

3.2.1 Introduction

The market of individual women in the retail segment provides another interesting opportunity for FIs to innovate with products and services targeted to 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.

52.6 percent of women live in an urban setting and 47.4 percent in rural areas. Around 6.1 million women living outside urban areas account for almost one half of the women covered by our analysis. Of around 6.7 million urban women, roughly 12.3 percent are women with no children, and 87.7 percent are women with children. The table below has a summary of the key sub-segment descriptors and their observed financial behavior.



Figure 13 — Retail Segment Population Estimates

	Urban Young Professionals	Urban Family Managers	Rural Women
Saves (% Saving at FI)	41% (9%)	34% (9%)	47% (10%)
Past Borrowing from FI	19%	16%	21%
Expects to Borrow Next Two Years	47%	53%	39%
Avg. Anticipated Borrowing Needs (UZS'000)	31,250	33,600	20,000
Formal Transactions (at least once per month)	38%	9%	21%
Has Some Form of Insurance	38%	41%	66%
Considers Insurance Future	38%	25%	16%

Table 12 — Key descriptors and financial behavior: retail segment

3.2.2 Overview of Key Findings and Resulting Gaps: Retail Segment

Over two-thirds of women interviewed state that banks are their first option to save money (65 percent) and to borrow money (63 percent). This result reflects the overall positive attitude of many women toward FIs in Uzbekistan.

However, there is significant room for further integration of women into the formal financial sector. In our survey sample, 41 percent of Uzbek women reported they are currently saving, yet only 9 percent save using a bank account. Currently, approximately one-half of women savers save by keeping cash at home. This presents a huge opportunity for FIs for deposit mobilization. Likewise, 40 percent of the women in our sample reported having borrowed in the past, while only one-half cited a financial institution as the source of their loans. This large gap between the attitude of women in the survey toward banks for financial services and their actual behavior indicates that FIs do not yet serve women close to the existing potential.



Figure 14 — Attitudes toward banks: Retail Segment

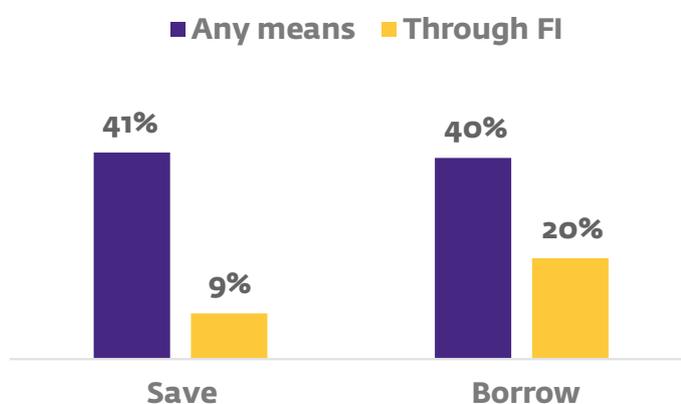


Figure 15 — Financial Behavior: Retail Segment

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

Flexible, reliable, tailored, and convenient solutions that keep their money safe and, most importantly, in their own name are key demands for financial services from an ideal bank. Uzbek women often face time and mobility constraints and they would appreciate banks that offer to mediate these challenges and demonstrate flexibility. This research reveals that the Uzbek cultural context still often hinders women having their own bank accounts. Nevertheless, women would appreciate solutions that enable them to keep money in their own name and to keep it safe in changing life circumstances.

Toward non-financial solutions provided by FIs, women 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. Their children’s education is considered the key investment for the financial stability of their families. However, this comes with the challenge of planning and financing this education. FIs can make this a part of their overall financial guidance and planning services offerings for women, thereby helping to create a strong emotional connection with FIs.

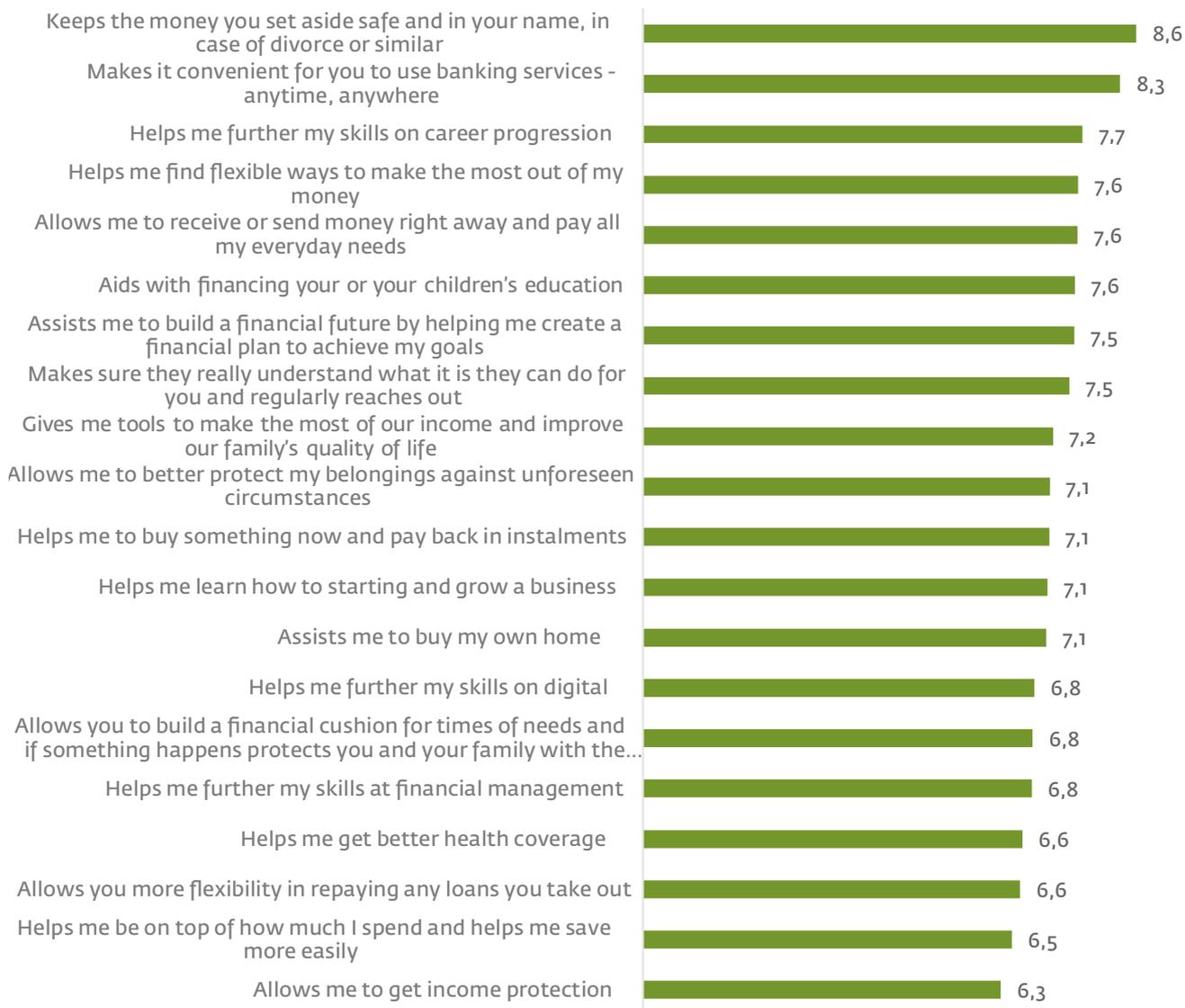


Figure 16 – Most important features of the ideal bank: retail segment

A customer-centric approach to serving Uzbek women is perceived as a strong necessity in FIs. More than half (56 percent) of Uzbek women found it extremely important for FIs to have a keen interest in conveying what they could do for them and understanding their needs. Incorporating a customer-centric mindset in future solution-development efforts would be highly appreciated.

It is critical that FIs improve the functionality and quality of digital (mobile) interaction channels. The top preferred channel indicated by the respondents in our sample was mobile app/wallet. They preferred it twice as much to the second-best alternative – visiting the branch. More than half (52 percent) of the respondents reported their preference for interacting with the bank through mobile app or wallet to manage their account and transactions. Banking through digital means seems to be the norm among the retail segment, even accounting for older women living in rural areas.

3.2.4 Urban Young Professionals

Unmet Market Potential – Urban Young Professionals						
UZS billions	Retail lending volume	Deposit volume	Lending revenue	Deposit revenue	Revenue from transactions	Revenue from insurance
Current	812.8	2,274.7	65.5	187.9	131.2	3.2
Quick-win Market Opportunity ²⁹	7,562.0	4,334.4	430.7	325.5	159.2	7.2
Multiple to Current	9.3X	1.9X	6.6X	1.7X	1.2X	2.2X
Transformational Market Opportunity ³⁰	17,295.4	13,569.2	2,452.5	615.3	484.2	91.7
Multiple to Current	21.3X	3.8X	37.4X	3.3X	3.7X	28.4X

Table 13 – Potential market estimates: urban young professionals

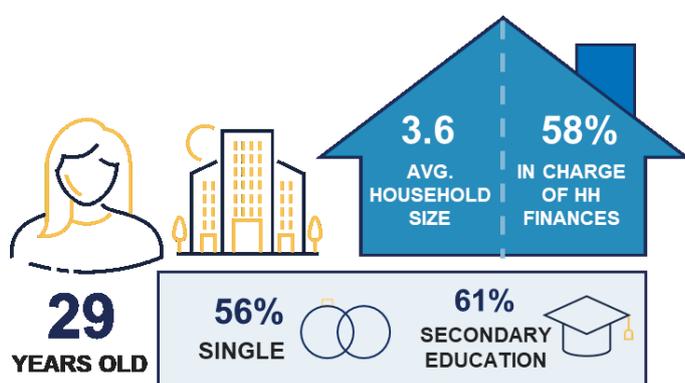


Figure 17 – Demographics: urban young professionals

Urban young professionals form the smallest segment in the women's retail market, but their active use of formal financial services makes this an important segment for revenue generation and future growth. Formal borrowing is the highest in this segment with 62 percent of those who borrow turning to formal financial institutions for financing. This generates a retail lending volume of UZS813 billion (\$75 million) and a corresponding revenue of around UZS65.5 billion (\$6 million). Inclusion of the more immediately available 'quick-win' customers would

result in UZS7.6 billion (\$1.6 billion) in lending volumes and UZS430.7 billion (\$39.7 million) in lending revenues.

Saving seems to be a relatively important topic for the segment, illustrating the segment's future-oriented attitude. In this segment, 41 percent currently saves, of this, 21 percent saves at a formal institution, providing a 9 percent formal savings rate in the entire segment. This could be developed much further. But those who save tend to keep larger amounts in their savings accounts. Thanks to this, the total current account and deposit volume has reached UZS2.3 trillion (\$210 million) generating a revenue of UZS188 billion (\$17 million).

Transactions are another important service for the segment. Urban young professionals are the most frequent users of both domestic and international transactions and currently generate an estimated UZS131 billion (\$12 million) in revenue. The full transformational market potential of the segment is estimated to reach UZS2.5 trillion (\$226 million) in lending revenue and UZS615 billion (\$57 million) in deposit revenue.

²⁹ 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.

³⁰ 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.

This highly driven and ambitious segment often has a busier lifestyle paired with a high affinity for digital tools. Although convenient service, and keeping their money safe and in their name were the top two most attractive banking services for the retail segment at large, they are of particular importance for this segment. Considerably younger than their counterparts, urban young professionals are the most digitally savvy and demanding target group. These women are primarily focused on building a better life for themselves. Education and career are often on the top of their mind and they would strongly appreciate training that enables them to progress in their career or helps them start their own side-business.

As many of these women are students, they welcome help with financing their higher education. As the most frequent user of payments and transactions, hassle-free and low-cost payment options are attractive to them. Desiring financial security, they are keen to learn how best to save smaller amounts regularly and invest part of their savings for long-term goals.

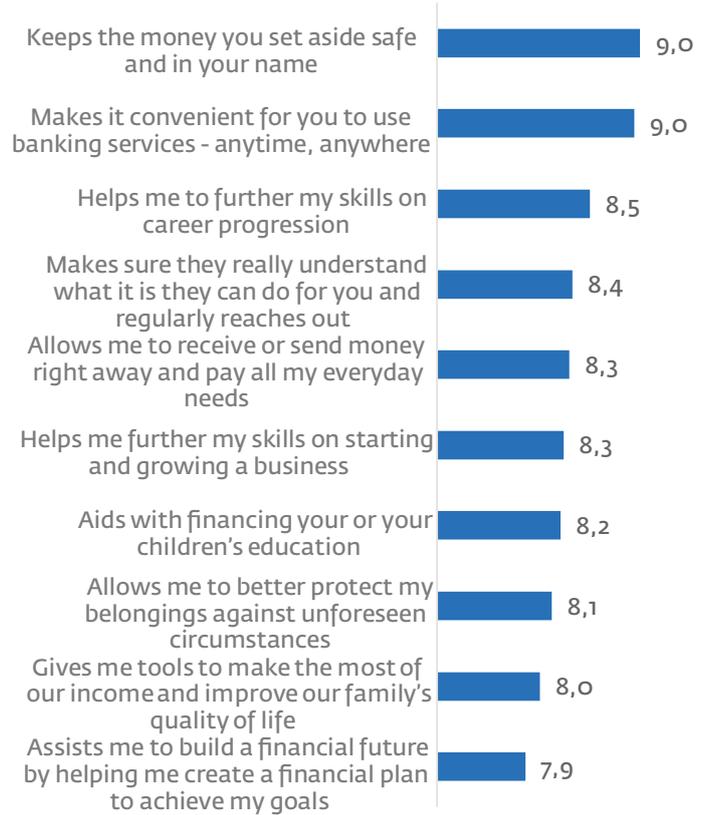


Figure 18 — Top 10 Banking Services most attractive for Urban Young Professionals



3.2.5 Urban Family Managers

Unmet Market Potential – Individual Women						
UZS billions	Retail lending volume	Deposit volume	Lending revenue	Deposit revenue	Revenue from transactions	Revenue from insurance
Current	5,670.9	6,333.1	430.0	501.5	367.2	31.2
Quick-win Market Opportunity ³¹	49,306.0	26,863.0	3,002.7	1,872.9	796.1	39.5
Multiple to Current	8.7x	4.2x	7x	3.7x	2.2x	1.3x
Transformational Market Opportunity ³²	137,227.9	101,614.1	16,147.1	6,855.7	3,314.3	727.7
Multiple to Current	24.2x	9.8x	37.6x	8.4x	9x	23.4x

Table 14 – Potential market estimates: urban family managers

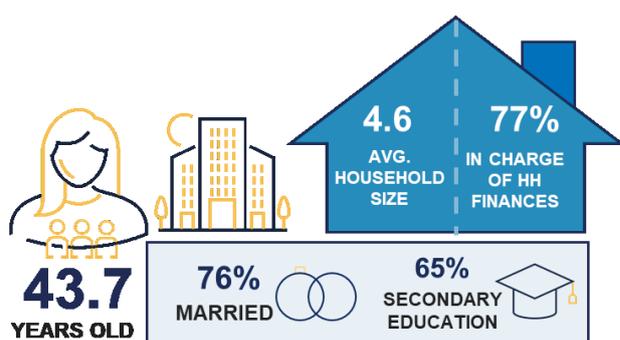


Figure 19 – Demographics: Urban Family Managers

The particular importance of Uzbek women with children may be their influence over household decision-making; they being the numerically largest segment. 41 percent reported having borrowed, but a mere 38 percent had turned to formal sources for financing. The resulting savings and lending volumes (UZS6 trillion or \$585 million for savings, UZS5.7 trillion or \$523 million for lending) are substantial yet lower than what could be expected from the size and income level of the segment.

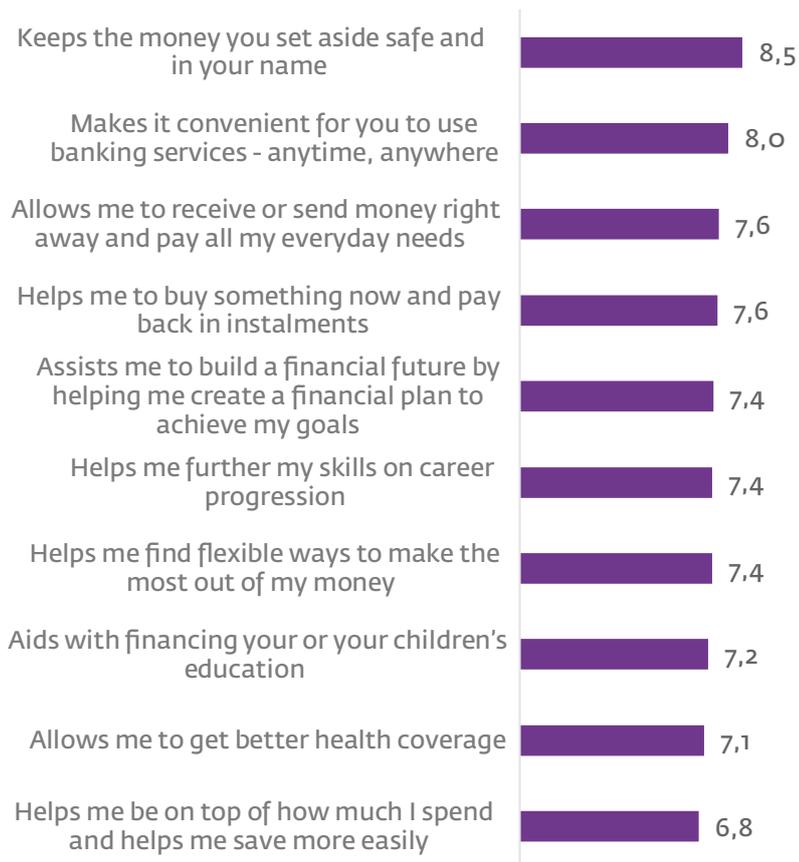
In terms of future saving and borrowing intentions, the majority shows interest, with 56 percent reporting interest in further savings and 47 percent reporting interest in borrowing. Executing on the immediately available 'quick-win' potential of the segment could generate another UZS26.9 trillion (\$2.5 billion) in savings volume and UZS49.3 trillion (\$4.6 billion) in lending volume.

Inclusion of the transformational potential could mean UZS137.3 trillion (\$12.7 billion) in lending volume and UZS102 trillion (\$9.4 billion) of savings volume. Based on survey responses, we also see a demand for larger ticket sizes, indicating a need for increasing long-term lending to retail customers.

Women in the urban family managers segment are highly time-constrained. Therefore, flexible and tailored financial solutions would be key to serving them. Most urban family managers (77 percent) oversee their household finances. Many voiced a strong need for additional guidance and planning advice on better handling their family's financial matters. Buy

³¹ 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.

³² 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.



Now, Pay Later (BNPL) schemes are most attractive to these women—enabling them to smoothen out liquidity issues in their household budgets. This segment is most often responsible for smaller purchases and would strongly appreciate quick and inexpensive ways to pay for themselves and their family's everyday needs. One of their strongest emotional tensions and key priorities in life is ensuring finance for their children's education.

Figure 20 — Top 10 banking services most attractive for urban family managers



3.2.6 Rural Women

Unmet Market Potential – Individual Women						
UZS billions	Retail lending volume	Deposit volume	Lending revenue	Deposit revenue	Revenue from transactions	Revenue from insurance
Current	9,710.1	12,528.2	1,001.4	1,140.3	323.3	52.5
Quick-win Market Opportunity ³³	23,070.2	65,130.3	1,622.8	4,654.1	396.5	21.3
Multiple to Current	2.4X	5.2X	1.6X	4.1X	1.2X	0.4X
Transformational Market Opportunity ³⁴	70,845.8	52,678.1	11,755.7	3,563.1	606.1	375.7
Multiple to Current	7.3X	2.6X	11.7X	1.9X	1.9X	7.2X

Table 15 – Potential market estimates: rural women

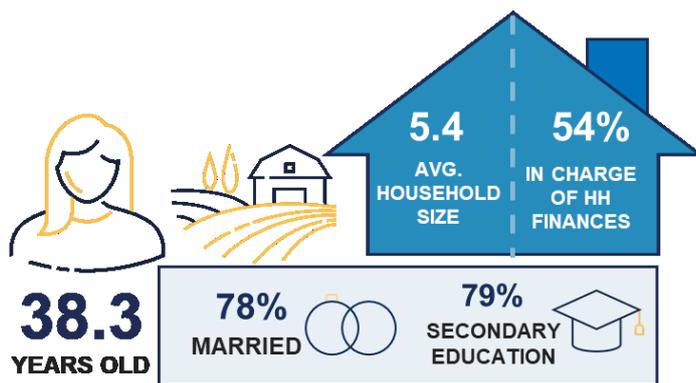


Figure 21 – Demographics: Rural Women

Our study reveals that there is already a relatively high usage of formal financial services by rural women. Many also save: 47 percent women report saving, but only 22 percent of those did so at a formal financial institution, adding up to an 11 percent share of those who saved formally within the segment. Their deposit volumes are UZS12.5 trillion (\$1.2 billion). A relatively large share of the segment (42 percent) reports having borrowed, of which half borrowed formally for relatively large ticket sizes leading to a lending volume of UZS9.7 trillion (\$896 million).

When asked about their interest in further savings and borrowing, rural women reported the highest interest in increasing savings (66 percent), as well as a sizeable borrowing intent (39 percent), albeit lower than other segments. Reaching this part of the segment with immediately available 'quick-win' would bring UZS65.8 trillion (\$6 billion) in savings and UZS23 trillion (\$2 billion) in lending volumes.

Rural women also report using transaction services relatively frequently domestically, but not internationally. Card payments do not seem to be widespread in rural areas and ATM use seems to dominate. There is potential for total transaction revenues from this segment to reach UZS323 billion (\$30 million).

The full transformational market potential of the segment shows a lending volume of UZS70.8 trillion (\$6.5 billion) and a savings volume of UZS53 trillion (\$4.9 billion). This could lead to

³³ 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.

³⁴ 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.

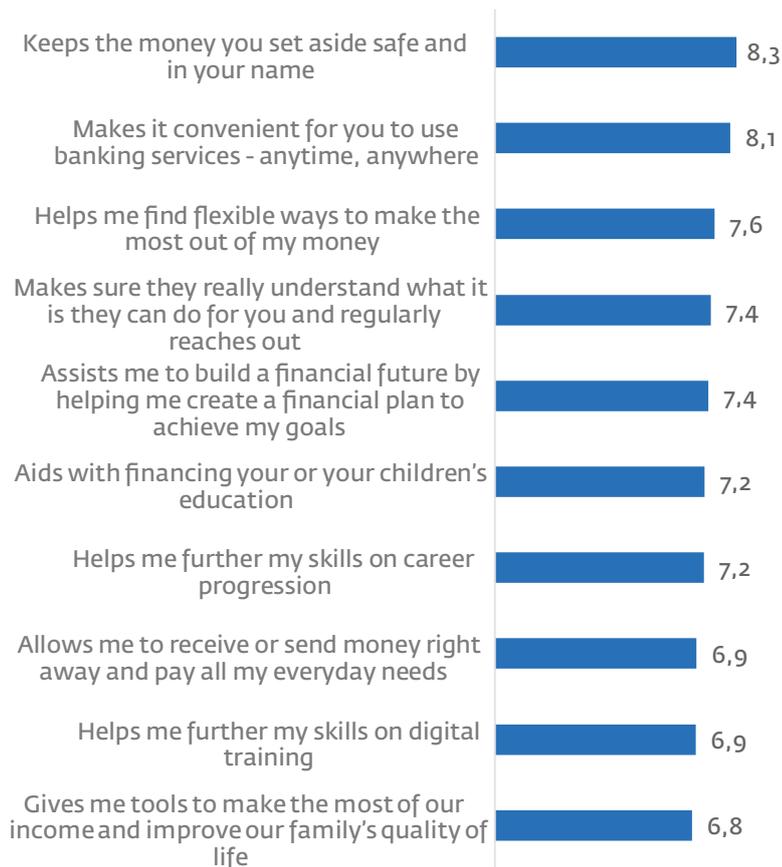


Figure 22 — Top 10 Banking Services most attractive for Rural Women

an estimated revenue potential of UZ\$11.8 trillion (\$1 billion) for lending and UZ\$3.6 trillion (\$329 million) for savings

Women in rural areas highlight the importance of education, and they work hard for themselves and for their children's progress. Buying a home is more common and happens earlier in rural areas. Many women have voiced the need for better, clearer, and more supportive offerings. Since they have long commutes to FIs and transport is complicated, they would appreciate more convenience in making/receiving payments or remittances.

Like their urban counterparts with children, rural women, often with a family of their own from a young age, are primarily concerned about providing for their children's future and ensuring that they can sufficiently pass down the family's wealth to the next generation. Therefore, the three most

important aspects of their ideal FI are more future-oriented. They place the utmost importance on: training for career progression, help with financing their own or their children's education, and assistance with housing finance

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 Keeping their money safe and in their own name 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 Provide additional guarantees to cement their trust
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 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 smoothing of ongoing liquidity issues Key priority in life is ensuring they can finance their children's education 	<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
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 	<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

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

4. SUPPLY-SIDE ASSESSMENT

Currently, most Uzbek FIs neither fully serve the needs of women nor capitalize on the potential of women-led businesses and women’s retail markets. The Uzbek banking sector has had its focus mainly on the corporate sector, but in recent years it has started to focus more on small businesses and households. The market is only recently starting to recognize women as a key customer segment, and some FIs are starting to consider the importance of serving women. Some of the interviewed FIs have already set in place explicit quantitative targets for women’s outreach.

In the current transition from a state-led economy and banking system, retail lending still is a minority of total loans but is growing consistently as a share of the total. Unlike in Kyrgyzstan and Tajikistan, where micro finance institutions (MFIs) have a strong history and many have later transformed into commercial banks, Uzbekistan never had a well-developed MFI industry. Most of the microfinance activities are the result of banks that traditionally focused on corporate lending, and gradually downscaled to serve smaller enterprises and lower-income retail clients. Consequently, there are fewer institutions that have clearly defined a social mission or list poverty alleviation as a key goal.

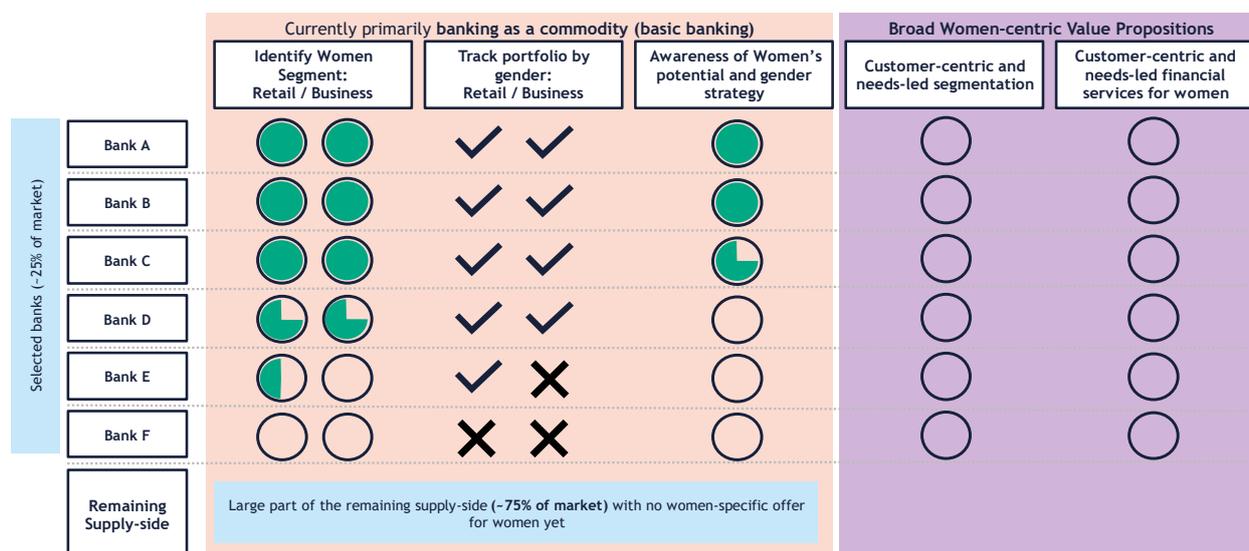


Figure 24 — Supply-side assessment

Applying a gender-lens overlay on FI’s strategic efforts is rare and limited. Supply-side interviews revealed weaker information management systems already set in place, which at best support tracking of sex-disaggregated statistics primarily on credit. Gender statistics for deposit products, card products, payments, and remittances are largely neglected. Of the interviewed FIs, the share of women borrowers in the retail segment ranges from 28 percent to 50 percent, while the share of women-led MSMEs credit takers ranges from 30 percent to 37 percent.

Almost all specialized products for women are loans and are primarily available only for female entrepreneurs. Few or no examples of specialized deposit, card or payment products exist and women participants in this study seemed largely unaware of such products. Even when available, inclusion of gender statistics in regular management reporting is not a common practice; formal recognition of the importance of women as a market segment in key strategic or policy documents is also infrequent. Lack of diversity in management (and especially in senior management) roles among the FIs interviewed could be an additional inhibiting factor to a more inclusive financial approach.

Privatization and new national development priorities can open space for a gender lens, but for state-owned commercial banks this remains an uneasy fit due to the legacy of policy-driven lending (often to state-owned enterprises). With the initiation of economic reforms, there is an emphasis on gender equality and women's economic inclusion alongside the overarching focus on private sector-led growth. The central bank is also engaging its global peers via the Alliance for Financial Inclusion on issues of gender finance. However, this process is still at an early stage.

The few dedicated products for women still reflect a program-driven focus on loans rather than a broader value proposition. Aside from these specialized loan products, there are no other specialized products for women that involve deposits and savings, insurance, or payments and money transfers, or women-specific service bundles. Non-financial services also have a narrow functional focus. A broader value proposition for women entrepreneurs (and for women, in general) could help initiate and strengthen relationships with clients. The study found a solid latent demand for financing from female clients. However, they are often not ready to take on conventional bank loans due to their own preferences and concerns. Besides, they may not be able to fulfill the lender's requirements.

There is considerable room for improvement in the FIs' loan evaluation processes. Higher transaction costs and relatively limited expertise translates into high collateral requirements and complex application procedures. This affects women entrepreneurs disproportionately. Most loans issued since 2015 have been secured by hard collateral (collateral predominantly coming in the form of real estate or fixed assets). Despite an expansion in access to bank credit in the recent years, the share of loans to women-owned small businesses has reduced.

The provision of non-financial services (NFS) by FIs is still largely in its infancy. Less than half of the FIs interviewed stated that they have some form of NFS but only limited to training on financial literacy or business development, while the remaining announced plans to roll out training in the near future. The limited extent of NFS currently provided are largely focused on the business segment and generally neglect the retail segment.

Government reforms and supporting organizations meant to galvanize the development of the financial sector do exist, but progress is still slow. As of 2018, the state has vastly simplified the business registration process and has imposed mandatory requirements to open a business bank account upon formal registration. Since 2019, MSMEs have benefited from reduced and unified tax rates, simplified cross-border trading procedures, and removal of currency exchange controls.

Despite these positive steps, Uzbekistan is still in its early stages of market reforms and excessive state presence in the private sector remains widespread. Existing procedures and requirements, and costs of doing business are still significantly below international standards. Supporting organizations such as the "Women's Entrepreneurship Centers" or "Tadbirkor Ayol Associations" work on increasing economic knowledge, promoting entrepreneurship, and ensuring women's employment in useful work. However, programs specialized in women's empowerment are not yet common.

The financial infrastructure in Uzbekistan has recently experienced rapid growth. However, financial inclusion trends are moving faster on credit than deposit mobilization. From 2016 to 2020, the number of commercial banks licensed in Uzbekistan increased by 19 percent, number of branches by 61 percent and number of ATMs by 138 percent. In the same period, retail borrowers (individuals and households) have increased by more than 134 percent. While depositor numbers at commercial banks since 2017 seem to have increased by 13 percent, retail borrowers have expanded by more than 134 percent. These changes reflect a strengthened interest in serving the private sector. Deposit-taking microfinance institutions increased from 76 to 128 during the same time-period.

Regulatory restrictions on remote signatures hinder the development of digital services. Fully digital onboarding of new banking clients is currently not possible. Supply-side interviewees unanimously agreed that the COVID-19 pandemic has exacerbated this challenge due to increased demand for digital services.

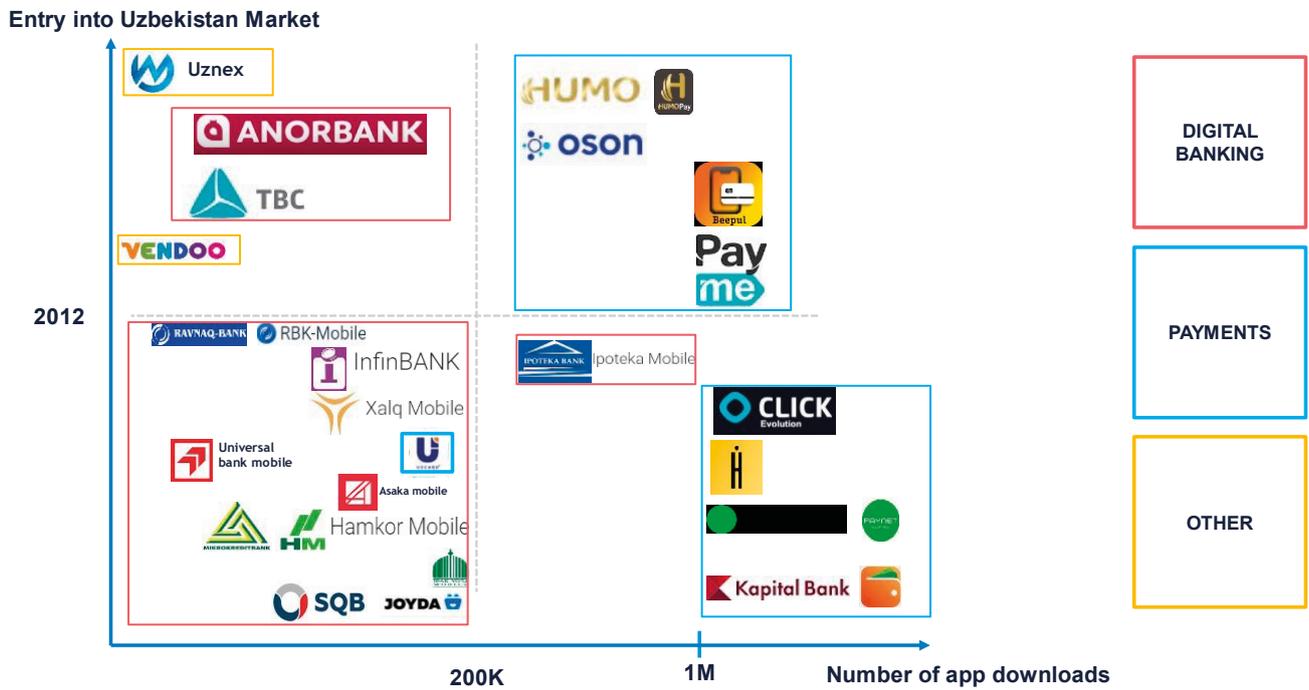


Figure 25 — Digital finance offers

Uzbekistan is rapidly becoming a focus for digital financial services providers. With new payments sector regulations in effect during the COVID-19 pandemic, Uzbekistan is the most populous user market in Central Asia and is rapidly migrating to smartphones. The use of digital channels and services is reasonably high here. Commercial banks, with a strategic interest in retail and MSME segments, have already acted to deploy mobile and digital customer interfaces alongside the roll-out of POS terminals and ATMs.

Figure 25 above shows that Uzbekistan has seen the launch of digital services by incumbents, as well as the emergence of new players across many key digital finance verticals. Uzbekistan's first digital bank, Anorbank, a payment license for Tajikistan's Alif Bank fintech, the market entry of Georgia's TBC bank, Hungary's OTP Bank which announced participation in the Uzbek market as a digital leader in Central and Eastern Europe – these and several other important providers are also likely to shape the market.



5. ENABLING ENVIRONMENT

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

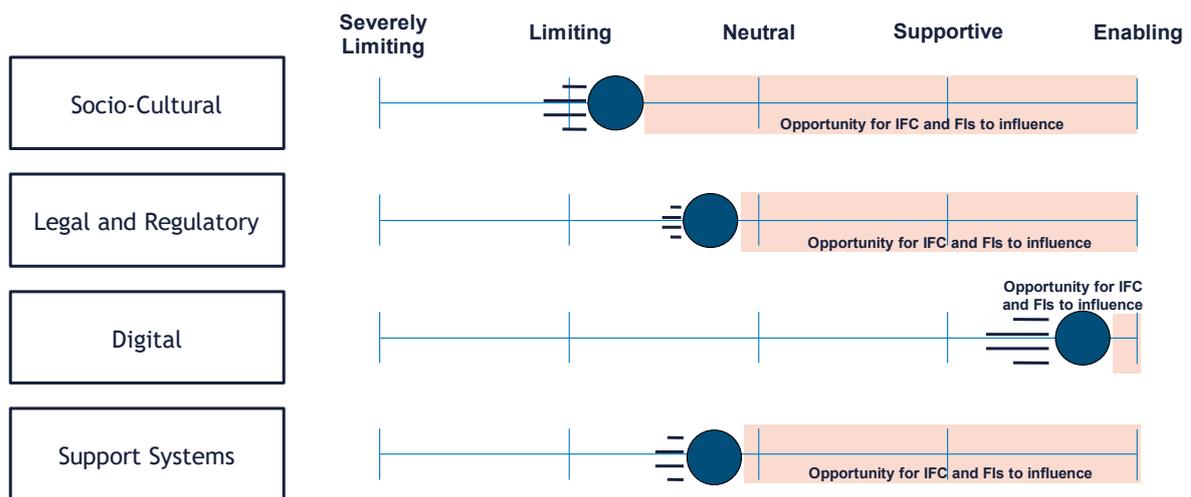


Figure 26 — Key drivers of the enabling environment

5.1 Social & Cultural

There is momentum gathering for social reforms, but significant progress is yet to be made. Uzbekistan's performance in gender-equality indices is better than the global average (64 out of 188), but there is room for improvement in employment, wages, pension, and doing business. The overall picture of women's empowerment remains mixed, with relatively low performance in finance, and agency in decision-making. Legally, women and men are endowed with equal rights and freedoms (including the right to own land and property and the right to use financial services). The government has also set up special institutions to support gender-related policies. However, in practice, women's rights are not always upheld. Traditional views on women's household responsibilities still hinder women's economic activity.

Women in Uzbekistan face deeply embedded social views that put them at a socio-economic disadvantage (both within and outside of the household). Men are largely considered the head of the family and are expected to be breadwinners, while women's responsibilities are mainly household work and children's upbringing. Although gaps in secondary education enrollment rates have largely closed, female enrollment rates in tertiary education have been declining and are very low compared with regional peers. Women have a lower workforce participation rate. They predominantly work in lower-paying sectors, and tend to hold lower-level work positions. The average female monthly wages are estimated at approximately 66 percent that of men.

While not wholly favorable, socio-cultural constraints are far from prohibitive for much more intensive financial services usage. Government policy priorities on gender equality will lend a tailwind to women's market initiatives and adjusting social norms, but the issues identified by this research are amenable to design responses. Time and mobility constraints

from household tasks are the most wide-spread implication of the female roles in Uzbek society but the swift expansion of digital communications and related skills as well as more traditional solutions – children care spaces in selected bank branches – offer work-arounds.

This research has not found any hardened opinions that would disallow or place a taboo on women's handling of finances. They are also unaffected about concerns regarding conventional interest-based finance being halal. Aversion to taking on credit points to risk concerns and limited awareness similar to those in emerging markets, which have been able to launch a large increase of (digital and unsecured) lending in recent years. In short, the much higher usage of formal financial services in countries such as Mongolia, Kazakhstan, and even the much poorer Kenya, point to the remaining upside potential. Gender lens and customer-centric approaches will point providers to the areas where work-arounds to socio-cultural norms may be needed, but they also are bound to guide pragmatic solutions for Uzbek finance.

5.2 Legal and Regulatory

The government has recently moved the needle on gender equality after a decade-long stagnation. Uzbekistan performs relatively well in gender inclusion indices compared to regional peers because of high levels of secondary education enrolment and relatively high labor-market participation of women. However, there is ample room for improvement in women's participation in higher education, diminishing horizontal and vertical segregation in the labor force, and increasing women's representation in media. Recently, the government has taken some positive steps through changes in legislation prohibiting discrimination in access to credit based on gender, and providing for equal mandatory retirement age.

Women own less than one-quarter of the land in Uzbekistan. Lack of literacy on legal requirements coupled with gender stereotypes were discovered as the strongest inhibiting factors. This presents a significant obstacle for women to be able to pledge the kind of collateral that most Uzbek financial institutions currently require for financing.

Women entrepreneurs may face additional legal, administrative, and societal hurdles to doing business. Women entrepreneurs must go through additional procedural steps and incur higher costs compared to men to legalize their business. Traditional family values necessitate approval from their husbands to own businesses, or if a business transaction or financing line accounts for a substantial share of the family's assets. Women may also face legal consequences, such as the loss of right to financial sustenance to the family's joint budget, in cases where the husband's approval is required by law and the woman fails to obtain it.

5.3 Digital

Internet usage has seen an immense rise since 2017 and digital transformation is generally on the rise. These are strong enablers of female financial inclusion. Digital connectivity is on the rise with two-thirds (66.4 percent) of Uzbek women older than 10 years old, and three-quarters (74.9 percent) of Uzbek men, having used the Internet in 2019. This shows that Internet usage has seen rapid growth since 2017, when only 43.4 percent of females and 54.4 percent of males were online. Mobile cellular subscriptions experienced a sharp rise in 2019, increasing to 101, from 71 per 100 people.

All interviewed banks have launched a core set of digital channels, but not yet a blend of low-cost physical and digital channels for outreach beyond urban cores – Internet banking, SMS banking, and mobile phone applications. However, several banks commented that they are still working on adding functionality to improve the user experience. The availability of certain digital channels and services, therefore, somewhat exceeds the quality of those services.

The government is actively promoting digital usage, which has contributed to the rise of ecommerce in recent years. The COVID-19 pandemic has also brought the topic of ICT literacy to the fore and IT skills development has become one of the “Five initiatives of the President of the Republic of Uzbekistan.” Regional Digital Competency Training Centers (IT centers) and IT parks have also been created, increasing the importance of the digital economy.³⁵

Further digitization of government services is planned and could improve the country's burdensome bureaucracy, thus enhancing economic activity. In the public sector, the government has made progress in streamlining many state functions within a single website, but there remain many services outside the purview of this digital portal.³⁶ According to ADB analysis, Uzbekistan is far ahead of peer nations in its institutional commitment to a digital transformation, but it is handicapped in implementing its vision due to poor ICT infrastructure.³⁷ A single point of contact would also avoid overlapping services by different government agencies.

5.4 Support Systems

There are many domestic and foreign organizations operating in Uzbekistan with the mission to foster and support 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 Uzbek 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

³⁵ Observer Research Foundation, 2020.

³⁶ Government of Uzbekistan, 2021.

³⁷ Asian Development Bank, 2021.

5.4.1 Business Support and Entrepreneurship Support for SMEs

There are already many governmental (for example, Agency of Entrepreneurship Development, State Entrepreneurship Fund) and non-governmental (for example, Chamber of Commerce and Industry of Uzbekistan) organizations in Uzbekistan working to enhance entrepreneurial activity in the country. The current gaps in this area offer FIs the chance to join by offering financial literacy and management training, business support through the provision of tax and regulatory advice, business management solutions, and mentoring opportunities.

5.4.2 Women-Specific Advocacy

Advancing female financial inclusion is currently undertaken by a number of domestic and foreign groups (for example, Women's Entrepreneurship Centers, GIZ, UNDP). However, there is still ample opportunity for forward-looking FIs to take advantage of the existing gaps in this space. Women have demonstrated a continued demand for access to financial training, networking events, easier access to credit, and greater flexibility in 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

As for the above two segments, advocacy for Uzbek youth entrepreneurship in the financial sphere needs to be geared not only towards focusing on gaps related to financial literacy, providing access to credit for new business ventures, but also on improving employment prospects. There are only two organizations in the country that specifically deal with economic issues related to young Uzbeks (Youth Is Our Future Foundation and Youth Union of Uzbekistan). FIs have a clear opportunity to meaningfully engage with young Uzbeks by providing internships, financial education, and supporting startups established by young entrepreneurs with credit and financial advisory services.

Overall, there are positive developments in Uzbekistan'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 helped by domestic and international organizations that are already established a presence in this area in Uzbekistan. Furthermore, enterprising Uzbek FIs have an excellent opportunity to meaningfully contribute as well, 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. As reforms in Uzbekistan's financial sector create new opportunities, foreign market entrants leverage their strong market positions and advanced digital transformation into momentum for entry. 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.

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 firms and 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 of clients, along with the data and deposits it generates, carries the strong risk of disintermediation for incumbents.

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

Moving to client-centricity as a basic principle for 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 strong emphasis on continuously understanding their customers' needs. Like most international peers in the past, Uzbek financial institutions remain highly product-centric. This is a major cause of the continued mismatch of the present offerings 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 offerings strongly informed by lifecycle events and 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.



Uzbekistan's 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 cash flows (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 to seize larger shares of this market. As clients interacting with the widest group of merchants, women are the natural constituency for lobbying for a wider adoption of digital and cashless modes of payments at the many smaller Uzbek businesses, which on their own resist this move over concerns of transparency to tax authorities and a perception that cash is good.

The commercial opportunities of the women's market and the ability of a gender lens to inform successful transformation of their value propositions provide strong strategic impetus for Uzbek financial institutions to focus on women. This study identified substantial short-term gains which turn into 10x 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 Uzbek finance in the 2020s.

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

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

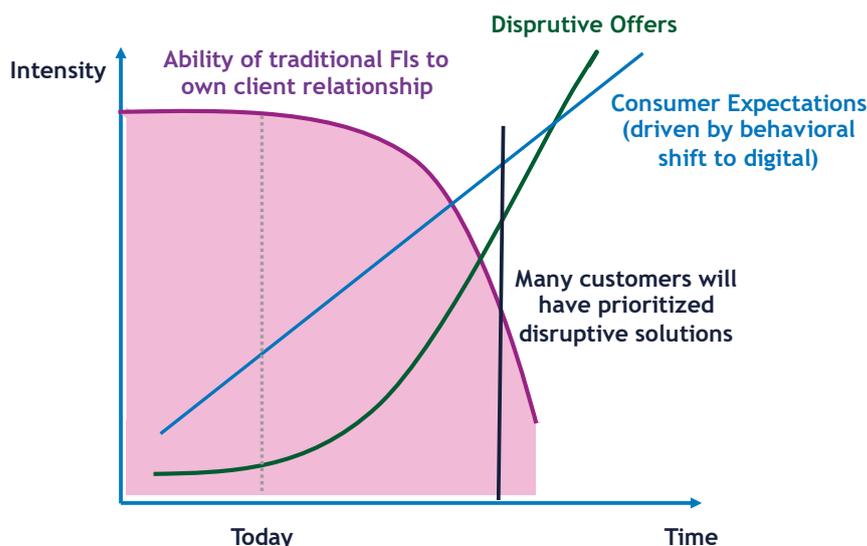


Figure 28 — Ability of traditional FIs to own client relationship

6.2 Recommended Actions for FIs

Digital and relationship banking capacity building promises to bridge the gap between a *banking as usual* approach that is unfit for the purpose and the strong potential of Uzbek women. At the heart of this evolution are two changes: 1) the shift from product focus to customer centricity by 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 Uzbekistan's impending retail and (M)SME finance ecosystem.

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

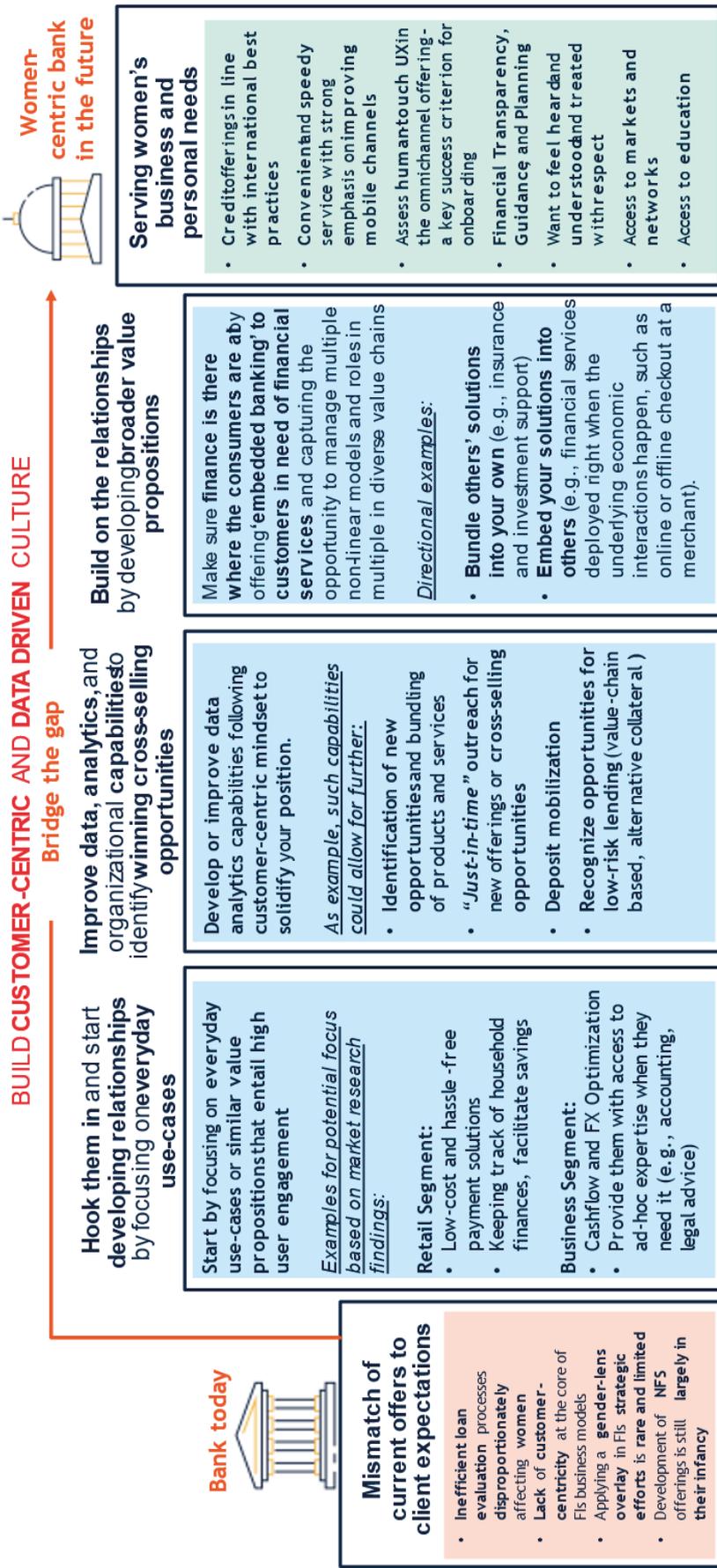


Figure 29 — High-level guidelines to bridge the gap between current market offerings and women's needs

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

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 fintech firms, and other non-bank financial institutions particularly for non-financial services, and also for some financial services such as insurance, digital lending, and specialist loans (mortgage, leasing, factoring). At the heart of these efforts is the motivation to secure an FI's ability to avoid disintermediation by any disruptor, and maximize its share of wallet and revenue-per-client as the partner-of-choice throughout (women's) financial lives.

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

This transformation informed by a gender lens should lead to FIs optimally positioned in Uzbek finance as its sector dynamics are reconfigured in the 2020s. The discipline of a gender lens is instrumental to designing solutions that work well for the target clients—whether these are the entire market or any sub-segments thereof. It can serve as the catalyst to achieve that significantly more inclusive and innovative value proposition, which will be essential for any FI – incumbent or disruptor – aspiring for a leading market position 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.³⁸

³⁸ *Digital Savings: The Key to Women's Financial Inclusion?*, Women's World Banking, 2015

With the darkened macro-economic outlook in Q1/2022, mobilization of potential of Uzbekistan's women in retail and MSME finance could 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 the commodities space 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 Uzbek FIs on a more balanced long-term footing. As indicated by the untapped potential that is around one order of magnitude of business volumes in the current market, pioneering FIs may even compensate a medium-term depression of business through expansion and intensification of their business with women (and with men) through more inclusive and innovative offerings.

IFC can help FIs build internal and external capacity to mobilize this 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 form of diagnostics and capability development, piloting quick fixes, and go-to-market strategy development. The terms-of-reference of such interventions may incorporate the types of activities indicated in figure 30:

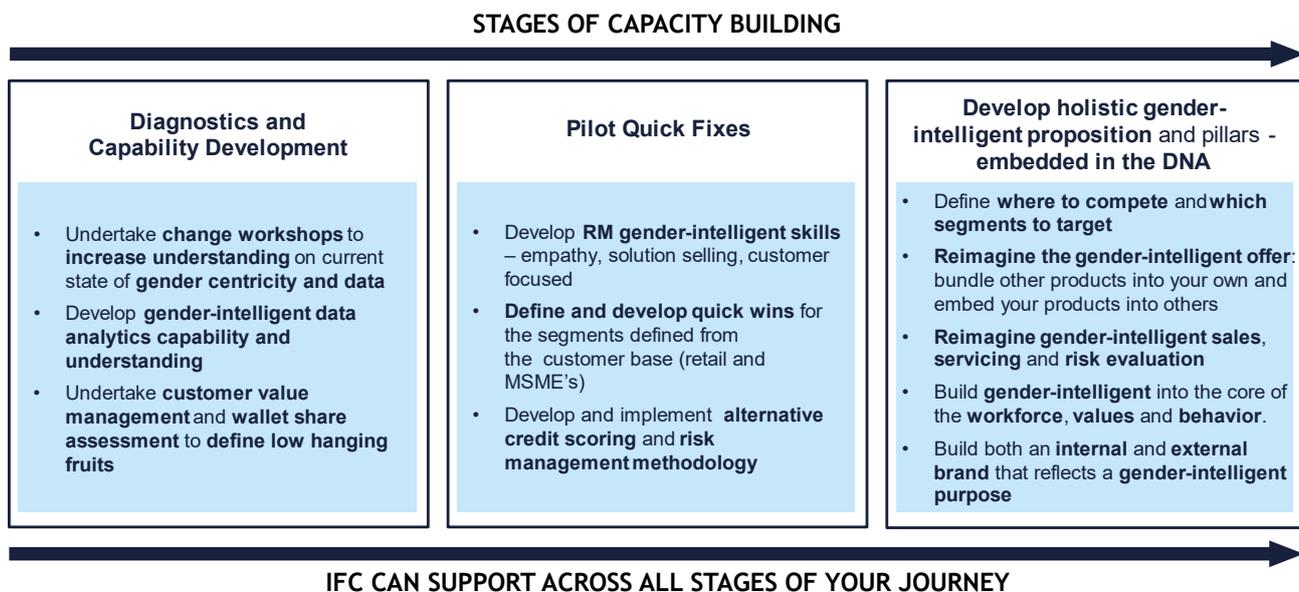


Figure 30 — Stages of capacity building

Appendix A: Qualitative and Quantitative Methodology

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

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

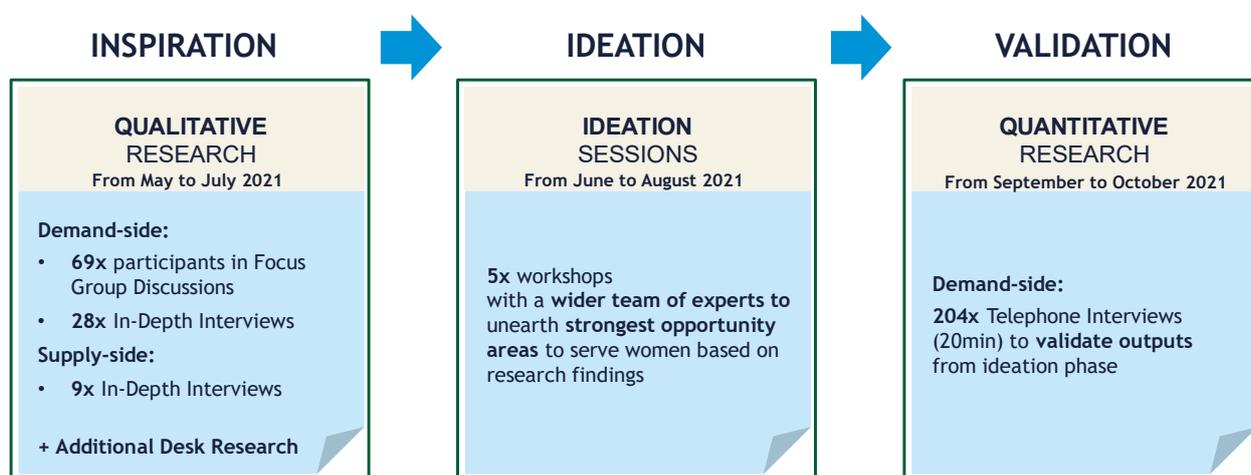


Figure 31 — Overview of research design

Qualitative Research

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

- A set of **focus group discussions (FGDs)** with the prime objective of gaining a 360° understanding of women's markets segments regarding their overall profiles, needs, and constraints in their personal and professional lives, and their attitudes 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

Ten focus groups discussions were conducted, split equally across the retail and business segments. Eight out of the ten focus groups comprised of women in sub-segments previously identified as part of the desk research described in the break-down below. An additional focus group discussion per 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:

- **5x FGD - Retail segment:**
 - 1x FGD with women without children living in urban areas
 - 1x FGD with women with children living in urban areas
 - 2x FGD with women living in rural areas
 - 1x FGD with men living in urban areas
- **5x FGD - Business segment:**
 - 1x FGD with early-stage women entrepreneurs
 - 1x FGD with stability-oriented women entrepreneurs
 - 2x FGD with growth-oriented women entrepreneurs
 - 1x FGD with male entrepreneurs

In-Depth Interviews (IDIs)

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

1. Demand-side:

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

2. Supply-side:

9x IDIs with key executives from the country's financial sector to allow for initial understanding of the extent of interest, knowledge, and preparedness of financial sector players when it comes to the women's market:

- a. 6x IDIs with Financial Institutions
- b. 2x IDIs with Insurance Providers
- c. 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 204 respondents, information was collected from 104 women from the retail segment and 100 women entrepreneurs from the business segment. The survey consisted of a 20-minute phone interview (computer-assisted telephone interviews – CATI) and was carried out during the months of November and December 2021. The samples were structured to follow the sub-segments initially identified in the exploratory phase in an equal split:

Segment	Sub-segment	# surveyed
Retail	Urban women no children	32
	Urban women with children	34
	Rural women	38
Business	Early-stage WMSE	33
	Stability-oriented WMSME	33
	Growth-oriented WMSME	34

Table 16 – Survey sample structure

Limitations of the study

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

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

Current Retail Market Estimate

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

Women's Retail Banking:

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

Volumes:

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

Revenues:

- Saving revenue estimates were calculated based on the savings volumes obtained. Commercial bank data on interest rates and National Bank data on the refinancing rate were used to estimate margins, which were then applied to the savings volumes to estimate savings revenues.

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

Illustrative table of rates (p.a.) and fees	
Refinancing Rate	11.0%
Deposit Rate	4.3%
Consumer Finance Rate	26.0%
Mortgage Rate	18.0%
Person-to-Person Transaction Fee	0.7%
Merchant Fee	2.0%
Insurance Premium (LCY)	160.000

Table 17 – Illustrative table of rates (per annum) and fees: retail segment

Current Business Market Estimate

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

Businesswomen:

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

Volumes:

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

Revenues:

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

Illustrative table of rates (p.a.) and fees	
Refinancing Rate	11.0%
Deposit Rate	4.3%
SME Loan Rate	22.2%
Transaction Fees (merchant acceptance, MDR)	2.0%
Transaction Fees (bank/wallet transfer)	0.4%
Insurance Premium (LCY)	160.000

Table 18 – Illustrative table of rates (per annum) and fees: retail segment

General Remarks on 'Quick-Win' Market Potential

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

'Quick Win' Market Potential – Retail

- Future financial service use estimates are based on survey results on future uptake questions .
- Survey questions on interest in further savings, lending, and insurance product were used to estimate future volumes and premiums.
- For personal loans, a cap was applied at 1x annual income to eliminate outliers.
- Savings are 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 is 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 are based on survey results on future uptake questions .
- Survey questions on interest in further lending, and insurance product 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 10-20 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 were applied to business customers' turnover to estimate the lending transformational market estimate.
- The margins calculated for the current market estimate were applied to the transformational market estimate volumes to arrive at revenue estimates.
- Transacted amounts as share of turnover were increased to a range between 70-90 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.

