

Coming Together: Toward Uniform Definitions for the Women's Market

The gender gap in the financial sector has gotten a great deal of attention in recent years, as have efforts by banks, international finance institutions (IFIs) and development finance institutions (DFIs), and policymakers and regulators to close it. However, inconsistent definitions of what, exactly, a “woman account holder” or a “women’s business” is make it difficult to get a clear picture of where the gender gaps actually are. This In Brief tackles the complex topic of moving toward a common set of definitions on the Women’s Market by determining what exactly needs to be defined, looking at what definitions are currently being used and by whom, and making a set of recommendations to encourage convergence.



WHY DEFINITIONS MATTER



DEFINING CHARACTERISTICS



SURVEYING THE LANDSCAPE



THE PATH FORWARD



WHY DEFINITIONS MATTER

The collection and use of sex-disaggregated data in financial services is being increasingly recognized as critical to closing economic gender gaps. Data that is tagged and grouped according to sex is essential to allow stakeholders to understand where the gaps lie. This data enables financial service providers such as banks and IFIs/DFIs to incorporate a gender perspective into the development of financial services for women and is one of the key steps in informing better policies and monitoring existing initiatives to close those gaps. Indeed, sex-disaggregated data is critical for all actors in the ecosystem interested in Women’s Market development, helping:

Financial Institutions

- Understand the size of the Women’s Market
- Understand that women are a distinct segment with distinct sub-segments
- Understand the business case and business models to serve women
- Track institutional performance with the Women’s Market and ensure allocation of program budget on an annual basis

DFIs/IFIs

- Measure market opportunities and gaps
- Track DFI/IFI performance with the Women’s Market via investee financial institutions and ensure allocation of funds on an annual basis
- Build accountability with investee financial institutions for reaching and impacting women
- Build accountability internally for delivering on stakeholder mandates

Regulators/Policymakers

- Understand who is being included and who is being excluded from the financial system
- Develop evidence-based policies that support women’s full financial inclusion
- Measure what policy interventions work in supporting closing the gender gap in financial services

Assessing Profit Potential

Analyzing the SME customer base by the sex of the business owner can yield important business case results for a bank to make a strategic decision to serve women. For example, in 2014, GBA member Itaú Unibanco performed an analysis of its women-owned and men-owned businesses. They found that women-owned businesses engage with more services and are therefore more profitable for the bank, with revenues from them 18% higher on average than those from men-owned SMEs. Itaú also found that the businesses with the lowest default rates were those that had both men and women in ownership, making a strong case for diversity at the top. These findings helped the bank build a business case for long-term investment in a Women's Market program.

When it comes to measuring the inclusion of women and women's businesses in the financial system, a number of data gaps exist, including around reliable information on the number of women bank customers and women's businesses worldwide. Data gaps are compounded by the lack of a uniform set of definitions related to women and women's businesses being used at the global, national and bank levels, which do not allow adequate comparisons or consistent assessments to be made. Promoting and using uniform definitions worldwide will increase consistency across data sets, helping to more reliably show where the gender gaps lie and spur effective policies to close them. This can be a catalyst for the collection of more and better data, creating a virtuous cycle wherein women and economies around the world benefit.



DEFINING CHARACTERISTICS

Before establishing consistent definitions, we need to consider what it is we are trying to describe and measure. A financial institution will ultimately need to know who is legally responsible for an account, but will also want to understand usage patterns. Similarly, an IFI/DFI and regulator will want to know who is being included in the financial system and whether that person is ultimately in control of their own financial assets. Consequently, there are three areas to consider for both individuals and business owners:

	Individual	Business
Ownership	Having legal responsibility/ownership over the funds of the account	Having fiduciary responsibility over the business (and account)
Control	Having final decision-making power over the account	Having final decision-making power over the business concern (and account)
Use or management	Originating the financial transactions of the account	Actively taking part in the day-to-day operations of the business

Establishing a Baseline

Developing a baseline for its Women's Market program was a significant challenge for Banco BHD León in the Dominican Republic. Because business ownership information had not historically been defined or collected, BHD León had to work with its branches to manually collect the information. Once the information was collected, the bank was able to see that a large portion of its women's business accounts were sole proprietorships. BHD León could then establish a baseline using the data and develop concrete strategies and achievable targets going forward.

What's in a Name?

Many terms related to women customers, and in particular women's businesses, are often incorrectly used interchangeably. For instance, in some cases, "women entrepreneurs" are lumped in with "women-owned businesses" or "women-owned SMEs," which in reality all have different meanings. Businesses, and in particular women's businesses, have different life-cycle needs, and therefore their financing strategies differ. It is imperative to pinpoint where in the continuum those businesses fall. Women entrepreneurs generally fall in the design, launch and initial operation of new businesses, whereas women-owned businesses also include more mature enterprises. The women-owned SME classification refers to the size of the business, regardless of its growth stage. The terms women-owned business and women-led business are also sometimes used interchangeably, ignoring the fact that a business that is owned by a woman is not necessarily managed by her, and vice versa. The first step in developing definitions is ensuring that the terms used are clear, consistent and accurate. For instance, in 2015 the Australian Bureau of Statistics (ABS) was asked to explore the trends on women entrepreneurs in Australia. By considering the definition of women's entrepreneurship, the ABS realized there was limited data to capture entrepreneurial activity, and focused its findings more widely on women's business owners and operators.*

* Australian Bureau of Statistics, Australian Women in Business



SURVEYING THE LANDSCAPE

Individual Accounts

When defining an individual account as a woman's account, most GBA banks use the primary account holder or the account signatory as a proxy of the person who owns and controls it, tagging the account based on that person's sex. Our research showed that most government and/or IFI/DFI partners do not have a specific definition of what constitutes a woman bank customer. Data is gathered either on a product basis (i.e. by loan) or based on the financial institution's own systems and processes.

Considerations

Although identifying a woman customer may seem straightforward, there are several complexities that need to be considered:

- Some banks are not able to tag data by customer because their systems are only product focused, and in such a case, obtaining the exact number of women customers will likely not be possible.
- Joint or group accounts can complicate ownership information further, as the bank may not be able to figure out who the primary account holder is.
- In certain contexts, an account in the name of a woman may actually not be in her control. This can be a prevalent issue in cultures where women's access to financial services is discouraged by social norms, or in other contexts where women receive certain benefits such as lower interest rates.
- Many individual accounts are actually used for business purposes – something that is generally more prevalent among women, as they tend to have informal or unregistered smaller businesses.

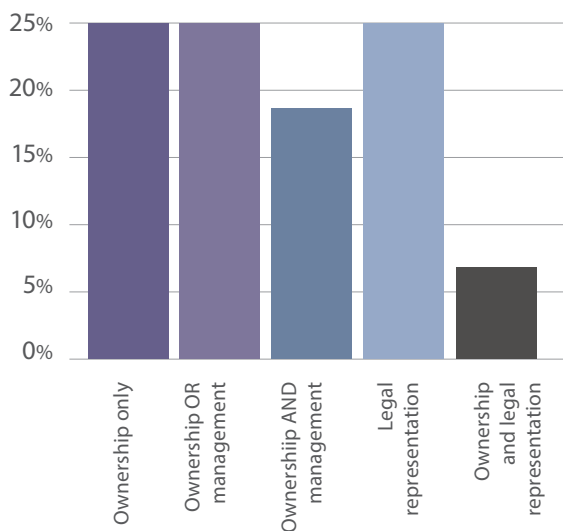
Business Accounts

Definitions for women's businesses tend to be much more complicated and vary widely across stakeholders. Definitions were analyzed based on use by the supply side (those used by banks or by organizations providing funding to banks) and the demand side (those used by business surveys).

Supply-side definitions

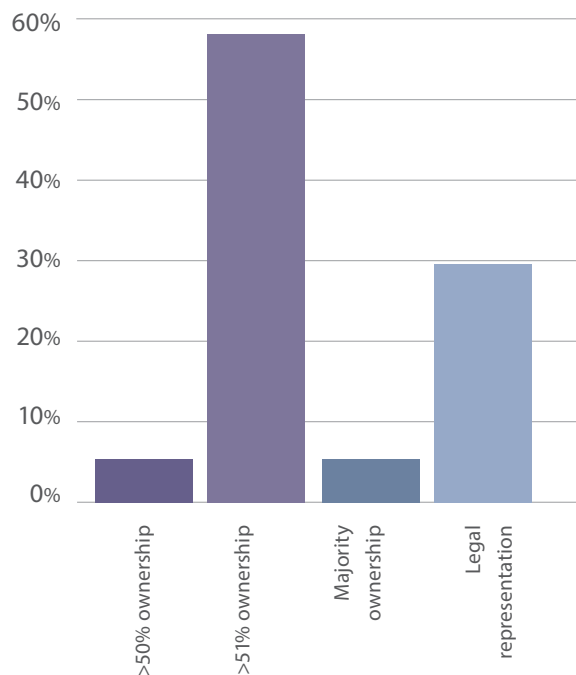
Data generated through financial services providers can offer more insights on business structure and ownership, as this is information that is generally collected as part of a bank's due diligence; however, sex-disaggregated data can be more difficult to come by. More and more banks are developing internal definitions for women's businesses as they develop strategies to target the Women's Market. However, most if not all banks do not have any historical data on business ownership by sex, as they were not systematically capturing this in the past.

Data collected from 16 GBA members revealed the variety of definitions currently used for women's businesses. Banks are relatively evenly split when it comes to defining a woman's business, with many using definitions based on ownership only and others defining it based on ownership and management. Some banks also include the business's legal representation as a proxy for control over the business.



TEB Kosovo launched its Women's Market program in 2014. Its definition for a women's business is based on the country's legal structures. This provides specific guidance to the sales force on how to identify a women's business based on different assumptions. For instance, definitions are structured around joint stock companies, limited liability companies, agricultural cooperatives, general and limited partnerships, and sole proprietorships. Based on EBRD's eligibility criteria, the definitions focus on determining overall operational management responsibility, but also include measures around a company's ownership and control.

When it comes to the amount of ownership needed for classification as a woman's business, there is more consistency. A wide majority of GBA banks consider an enterprise with over 51 percent female ownership a woman's business, while some banks use over 50 percent ownership in their definition. A minority of banks use majority ownership, which assumes a woman as an owner as long as she has the highest ownership compared to others, regardless of the actual percentage value, as they deem this a more accurate measure of control.



Women's business definitions also vary widely among international and national organizations. The U.S. Small Business Administration was one of the first national-level agencies to set a consistent definition for use nationally. This definition emerged from efforts to increase federal procurement from women- and minority-owned businesses.¹

In the development finance community, the IFC was one of the first organizations to develop a consistent definition for women-owned SMEs when it set targets for its financing to women. The standard definition used was based on 51 percent ownership; however, it became apparent that this definition was too restrictive, as it did not take into account family-owned businesses or partnerships. The IFC therefore reduced the ownership threshold to 20 percent, provided that a woman also had substantial decision-making power in the business.

Demand-Side Survey Definitions

Several global or regional surveys exist that estimate the number of women's businesses, such as

¹ <https://www.nap.edu/read/11245/chapter/4#24>

the World Bank's Enterprise survey and the Global Entrepreneurship Monitor. Demand-side surveys are often based on household information, and therefore sex-disaggregated data is more readily available. However, information on the ownership structure or type of firm is more difficult to obtain. As a result, women's business definitions in demand-side surveys tend to vary even more widely. Some organizations, such as the World Bank Enterprise Survey, define women's businesses as those where the owner of the largest share of the business is a woman, regardless of what that share is. Others, such as the newly launched OECD Future of Business Survey, only include having women in top management as a criterion for firms that are owned by 2 or more people.²

In 2015, the G20's Global Partnership for Financial Inclusion incorporated some gender indicators into its Basic Set of Financial indicators. Although a specific definition of women's SMEs was not included, the data sources for gender indicators used were related to the World Bank's Enterprise Surveys, which includes firms with female participation only.

² OECD Future of Business

Sample of International/National Supply-Side Definitions

	Ownership	Management
U.S. SBA	>= 51% owned, and controlled by a woman (certification required) AND	>= 51% operated by women (certification required)
IFC	>= 51% female ownership, OR >= 20% female ownership AND	1 woman CEO/COO, and >=30% female board, where a board exists

Sample of Global Demand-Side Surveys

	Ownership	Management
World Bank Enterprise Survey	% of firms with female participation in ownership	% of firms with a female top manager (top manager not defined)
	% of firms with majority female ownership (majority is not defined)	
Global Entrepreneurship Monitor	by sex of entrepreneur	
OECD	share of sole proprietorships owned by women, share of entrepreneurs who are employers, by sex	

At a national level, although many countries have established national-level definitions for micro-, small- and medium-sized businesses, very few countries have set one for women's businesses. The definitions used vary and in some cases tend to be restrictive. For instance, both India and Indonesia have set definitions that include employment of women as part of the definition of a woman's business. It is also important to note that depending on the context, these definitions may be used for different purposes – such as ensuring women's association membership, measuring corporate or government procurement targets, or as part of national census statistics – and therefore may take into account characteristics that are not necessarily essential for the purposes of women's financial inclusion.

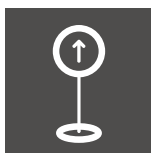
Sample of Standard National Definitions or National Demand-Side Surveys

Country	Definition
India	51% ownership and 51% of staff are women
Indonesia	majority share in ownership, management, staffing, and/or decision making
United States	at least 51% owned by women
United Kingdom	at least 50% ownership or management by women

Considerations

Tracking women's business accounts can be more burdensome for financial institutions:

- Most banks do not have the systems in place to tag a business by sex, and their systems are likely not designed to capture details of a shareholding structure.
- Shareholding structures as well as the sex of the CEO can vary across time, so banks need to develop a systematic approach to updating these records.
- Banks may be using demand-side national-level surveys to quantify the business opportunity. However, given differences in definitions of business ownership, banks may be under- or overestimating their market share projections and business case.
- Having a restriction related to ownership by women could have unintended consequences as businesses grow, especially given the lack of women receiving venture capital and funds from angel investors. Medium- or high-growth businesses can benefit from a more flexible definition that considers both ownership and control.
- In many cases, supply-side bank definitions appear to be more restrictive than those being used in demand surveys. This could have implications when policymakers establish targets based on global demand-side datasets, but financial institutions are utilizing more restrictive ones.
- Although many DFI/IFI objectives in setting a women's business definition can be similar in their efforts to quantify the effect of their investment practices, some also have specific donor requirements that may impact how they prioritize the collection of certain data (for instance, the generation of jobs).



THE PATH FORWARD

As has been discussed, there are a variety of definitions for women's businesses being used across organizations and across countries. Although there is not one "best" definition given varied cultural and economic contexts, there are also implications for having diverging terms and definitions. For instance, because historical supply-side data on women's businesses is more difficult to come by, financial institutions and other stakeholders are relying more widely on national-level household surveys. However, as noted previously, the differences in definitions of women's businesses can create inaccurate market assessments. By focusing on women entrepreneurs in demand-side surveys, organizations may be ignoring a large part of the market: women's businesses or women's sole proprietorships, both of which have distinct needs. In other cases, the purposes of demand surveys vary, and the establishment of definitions is based on ease of collection more than a desire to establish information on control or usage.

Toward a Universal Definition

Understanding the terms used both globally and nationally is the first step in determining the accuracy of market assessments or comparisons. Beyond understanding differences, there are a number of actions different players can take to converge toward more uniform definitions:

- Further work is needed to quantitatively evaluate the impact of using certain definitions from both a supply and demand perspective. For instance, some GBA members reported significant differences in the measurement of their women's business portfolio when using different variables or definitions.
- Banks should consider segmentations that are not only based on individual and business characteristics, but that also include self-employed individuals and informal businesses.
- Governments could support the development of better-quality data by establishing standard national terms and definitions that take into consideration the needs of different stakeholders as well as the business realities of women on the ground.
- IFIs/DFIs can promote the use of uniform terms and definitions across their financial institution clients and partners. This would not only simplify reporting requirements but would ensure that the data is comparable.
- IFIs/DFIs can work with their public and NGO partners to bring demand-side surveys toward more uniform definitions that are relevant for retail financial institutions.
- All stakeholders should consider using forward-looking definitions that take into account the need for evolution as women's businesses grow.

Definitions to Consider

Based on our assessment of definitions being used globally, below are the terms and definitions to be considered for global use:

Woman individual customer: a retail active account that has a woman as the primary account holder.

Woman's sole proprietorship: a business that is solely owned by a woman, or a self-employed woman. The business could be registered or unregistered.

Woman-owned or women-owned business: a registered business that is $\geq 51\%$ owned by a woman or women

Woman-led or women-led business: a business that has $\geq 20\%$ female ownership AND 1 woman CEO/COO, and $\geq 30\%$ female board, where a board exists

These businesses can then be segmented based on their size, revenue, age, or # of employees, by their particular segment including: micro, small, medium or corporate.

Coming Together: Toward Uniform Definitions for the Women's Market

Much has been made of the need for more and better sex-disaggregated data on women's access to and use of financial services, and rightfully so. But without consistent definitions across stakeholders and, indeed, across the globe, an accurate assessment of where the world stands on this matter and effective initiatives for increasing women's economic empowerment are much more difficult to achieve. By unifying around one definition for each key term and encouraging other ecosystem actors to do the same, we can not only paint a clear picture of where the gaps lie, but accelerate their closure, creating a win-win-win for women, economies and banks around the world.

Glossary of definitions

Woman or women-owned business: a registered or unregistered business with a majority of its equity owned by a woman or women, regardless of its size or maturity

Women-managed or -led business: a registered or unregistered business where the majority of senior management is women

Woman's sole proprietorship: a registered or unregistered business that has one owner who is a woman

Woman's or women's SME (small and medium enterprise): a registered business that is owned and/or led by a woman or women, where its size is considered small or medium based on set parameters

Female entrepreneurs: women business operators who seek to generate value through the creation or expansion of economic activity by identifying and exploiting new products, processes or markets (OECD)

Woman's or women's start-up: a registered or unregistered newly started business that is woman- or women-owned or -led



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