

CATALYZE ENGINES OF GROWTH

CATALYZE LEARNING BRIEF: W-SME Access to Finance

The CATALYZE Engines of Growth (EoG) Activity supports the resilience, growth, and job creation of small- and medium-sized enterprises (SMEs) in the Western Balkans by improving their access to and use of appropriate finance. CATALYZE EoG helps mobilize capital to sustain distressed but viable SMEs and jobs in the wake of COVID-19 in the near term and promotes improved SME growth financing in the long term. The EoG Activity engages market actors and other stakeholders in a co-design process to identify key opportunities and develop activities to minimize access to finance constraints.



W-SME Access to Finance learning event in Belgrade, Serbia

EoG works with local partners to address the following two main objectives:

1. Mobilize capital and/or restructure debt to otherwise viable but distressed SMEs that have been adversely impacted by COVID-19 to sustain them, retain/rehire workers, and preserve capacity for future growth.
2. Facilitate additional alternative financing to high-growth potential SMEs in the Western Balkans to enhance their growth, productivity, and job creation.

BACKGROUND

Learning is a core piece of the EoG Activity and a fundamental component of the Activity Monitoring, Evaluation, and Learning Plan (AMELP). The AMELP explicitly includes the Learning Questions assigned to CATALYZE for contribution to USAID's Blended Finance Learning Agenda. The EoG Learning Agenda explores and identifies opportunities to leverage blended finance to promote SMEs' resilience, recovery, and growth in the current context of the Western Balkans.



CHALLENGE

Identify effective strategies to help W-SMEs access financing that is tailored for their business.



OPPORTUNITY

Revise incentive structures with partners to facilitate access to finance and promote business advisory services to W-SMEs.

The Learning Events provide opportunities for networking among CATALYZE partners, USAID, and private sector actors. The events enable EoG's partners to share knowledge and data to determine progress, answer learning questions that help guide the progress of the Activity, uncover best practices, and surface practical suggestions on how to better mobilize private capital for development.

This learning brief on W-SME Access to Finance highlights lessons learned from EoG's regional learning events held in Serbia and Albania. The findings can be used by USAID and the private sector to explore ways to mobilize private capital collaboratively to achieve development objectives and grow the local market for financing. The W-SME Access to Finance Learning Event addressed in part the following key learning questions that have been developed to help guide and inform EoG's methodology and activities.

LEARNING QUESTIONS



- 1 What are the key constraints preventing women to access finance on the demand side (e.g., poor financial management knowledge, lack of appetite to take risks), the supply side (e.g., how financial institutions perceive and approach W-SMEs) and with intermediaries (e.g., support functions to help women attain finance, information about finance)?
- 2 Why is there a low representation of women-entrepreneurs in the SME sector? What specific constraints contribute to the low numbers (e.g., social norms, business environment constraints, lack of support infrastructure (childcare), impact of government policies for maternity and sick leave, etc.)?
- 3 Why are the majority of women-enterprises small, what difficulties do they face to transition from small to larger companies? Which sectors have a higher proportion of women-enterprises and what key factors make it easier for women to work in these sectors?
- 4 What key factors prevent women from owning their own businesses in traditional male dominated sectors? Does the gender of a BASP make a difference when supporting W-SMEs? If so, what prevents male BASPs from engaging with W-SMEs?
- 5 What are the key incentives to change 'business-as-usual' at FIs and increase access to finance for women?
- 6 What financial products are available, and which are most effective in helping women and women-owned businesses access finance?



PROCESS METHODOLOGY

As part of its learning activities, EoG organized forums with partners and key stakeholders to examine the barriers and enablers to developing financial products (alternative or otherwise) in the Western Balkans, with a special focus on W-SMEs. EoG organized two regional events in Serbia and Albania on three different topics: Private Equity and Venture Capital, Fintech, and W-SME Access to Finance. EoG collaborated with partners, stakeholders, and donor representatives to organize the learning events. Topics were selected based on EoG's objectives and the potential for transforming the financial markets in the region. The events brought together 65 ecosystem stakeholders, including 34 women, from the Western Balkans who openly shared their experiences and recommendations in an interactive discussion with one another.

“In addition to accessing information and new capital, BASPs help women entrepreneurs understand what types of financing are best suited for their business needs. Through our engagements, we also provide critical guidance and support in helping women entrepreneurs develop strategic business plans that will ensure the ongoing success and growth of their companies.”

— Meriha Manojlovic, Financial Facilitator BASP

KEY TAKEAWAYS AND LESSONS LEARNED

The following key takeaways and lessons learned touched on each of the learning questions.

Cultural and social norms strongly impact what women can do in the business world.

One of the major constraints in the Western Balkans is that women have fewer opportunities to access information, resulting in limited networks and less exposure to potential opportunities. Gender disparities reflect a mix of social, cultural, and legal barriers to women's participation in the financial system in the Western Balkans. Without adequate support with housework and childcare, women face greater challenges when starting their own businesses. In the region, women are perceived to lack the knowledge and skills needed to run a successful business. However, learning event participants note that women entrepreneurs tend to be better at motivating and retaining people and employees. Participants also noted that women, on average, tend to retain employees at a higher rate than men and that they are good at managing staff and working productively with a team, which in turn is good for managing and growing a business. In general, women in the Western Balkans are not only motivated by profit but also by socially beneficial activities that have a positive impact on the wider community where they live.



W-SME Access to Finance learning events in Tirana and Belgrade included gender experts, CATALYZE Staff, USAID representatives, FI & bank representatives, UN Women, WB, EBRD, GIZ, EoG Partners, SMEs/Beneficiaries, and associations.

Greater education and access to information and consulting services can help women make more informed decisions around identifying and accessing suitable financing. There is a lack of “hands-on” education around financing and financial literacy tailored to the business needs of W-SMEs in the Western Balkans. Women, especially those with families, have limited time to conduct research let alone access new sources of financing for their businesses. These women are often referred to as entrepreneurs out of necessity in the Western Balkans as they don't necessarily invest in skills or start with a business plan. Potential solutions include building centralized sources of information about different financial products and services and providers, which would help women save time and money. Programs dedicated to helping W-SMEs access consulting services can also have a significant impact.

When the business environment changes, women are less likely to adapt since they tend to be risk averse and do not have the requisite skills to apply new business models. On the other hand, evidence shows that women are better savers than men, more responsible borrowers, and more calculated risk-takers. Given that women are risk averse and less likely to make investments, their businesses are susceptible to stagnation. The longer they are without investments, the less likely they are to be recognized by the bank for any new financing. Business Advisory Service Providers (BASP) and financial consultants can help women explore new sources of financing and develop business plans that account for the impact of growth on employees and communities.



USAID representatives at the W-SME Access to Finance Learning Event in Belgrade, Serbia.

Inequality in opportunities for W-SMEs to access finance does not exist in the Western Balkans, but there are inequalities in outcomes. Financial institutions do not tend to discriminate based on whether a business is owned by a man or woman, but instead select to work with businesses based on their historical performance. The traditional male dominated sectors such as manufacturing and extractives are preferred by financial institutions because they are comfortable with the sectors and know how they operate. The perception among many financial institutions is that women-owned businesses are primarily in the services sector and tend to be small and therefore riskier. One way to counter this perception is through effective and compelling communications touting successful W-SMEs across various sectors in the region. Providing positive examples through media, events, workshops, and conferences could help dispel some of these negative perceptions and demonstrate that women do indeed own and manage successful bankable businesses in the Western Balkans.

The digital economy provides a great opportunity for all W-SMEs. A digital presence, especially digital marketing platforms, can make a woman's business more visible and provide a venue for presenting products to new markets that require less time and resources. Moreover, fintech and alternative sources of finance, such as private equity and venture capital, can be a great opportunity for introducing new customized products and services that meet the business requirements of W-SMEs.



W-SME Access to Finance learning event in Belgrade, Serbia

IMPACT

CATALYZE EoG surpassed Year 2 targets and expects to meet overall project private capital mobilization (PCM) targets:



RECOMMENDATIONS:



- Expand W-SMEs' use of BASPs to help them receive much needed services around access to finance and business management strategies.
- Promote workshops, info sessions, and other learning events to help W-SMEs understand the tools and services on the market and how they can be applied.
- Develop financial products with low collateral requirements for designed for W-SMEs.
- Create an inclusive playing field that takes into account the challenges and opportunities faced by W-SMEs.
- Promote basic financial literacy and work on raising awareness of new financial products and services, such as venture capital, private capital, and digital finance.
- Establish start-up business mentorship programs, specifically for women entrepreneurs.
- Develop sustainable access to finance information platforms that gather information on financial products that are easy to access and use.

USAID CATALYZE (2019-2027) is a \$250 million contract designed to mobilize \$2 billion in private capital towards underserved sectors, geographies, and populations across 28 countries in Africa, Asia, Latin America and the Caribbean (LAC), and Europe.

CATALYZE, implemented by Palladium, co-creates with Missions, Bureaus, and Independent Offices (MBOs) to design multi-year, results-based activities that are managed by Palladium and implemented by a broad network of principally locally led implementing partners.

FOR MORE INFORMATION

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