



Kyaw Winn, 2017 CGAP Photo Contest

# What Does Gender Lens Investing Mean for Financial Inclusion? A landscaping exercise

Elizabeth Kiamba and Ann Miles

August 2021



# Background

The SDG Financing Gap has created a big push for Gender Lens Investing (GLI) in the recent past, especially for SDG 5 which focuses on gender equality.

GLI is sector agnostic and has relevance for DFIs and impact investors that support the development of inclusive financial systems through their investees.

This is an important approach for CGAP to better understand to inform its strategy, positioning, and potentially its work program and engagement with CGAP members.

# Guiding questions

- What is GLI?
- Who are the key actors in GLI?
- What does success look like?
- Why is GLI important...and especially for financial inclusion?
- What are the challenges in deploying GLI?
- What can CGAP do?

# What is GLI?

Gender Lens Investing (GLI) is about **intentionally** integrating **a gender analysis** into investment decisions while investing in an individual firm or a portfolio to achieve **better outcomes** (social and/ or financial).

# A brief history of GLI

## Recognition

In 2006 several investors together with the Criterion Institute\* named the field of GLI so that a range of actors could come together around the notion that finance could be used to address some of the systemic barriers women and girls face around the world.

## Proving

The practitioners in the field sought to prove that incorporating a gender analysis into financial analysis would enable investors to achieve better outcomes.

Many key actors in Microfinance and Financial Inclusion participated in the development of GLI.

## Adoption

There is now a large ecosystem of organizations involved in GLI

- a range of investors, including **at least 50% of CGAP's membership** are involved in GLI in an explicit and intentional way.
- Platforms and think tanks, and businesses that are creating tools and frameworks to sustain the adoption of GLI as a practice

Many funders are combining COVID-19 programs with GLI due to the disproportionate impact of COVID-19 on women and girls

# GLI aims to address three main challenges to gender equity

**Credit gap:** Women SMEs worldwide face a \$320 billion shortfall in access to credit despite women anecdotally having lower non-performing loan rates than men.

**Labor gap:** According to a McKinsey study, closing the gender labor gap could add \$28 trillion, or 26 percent, to annual global GDP in 2025.

**Untapped female economy:** The female economy represents a market more than twice the size of India and China combined. By 2028, female consumers will control around \$15 trillion of global consumer spending.



Photo by Natalie Brown, 2018 CGAP Photo Contest

Source: 2X Challenge Website

# GLI is good for investment, business and society

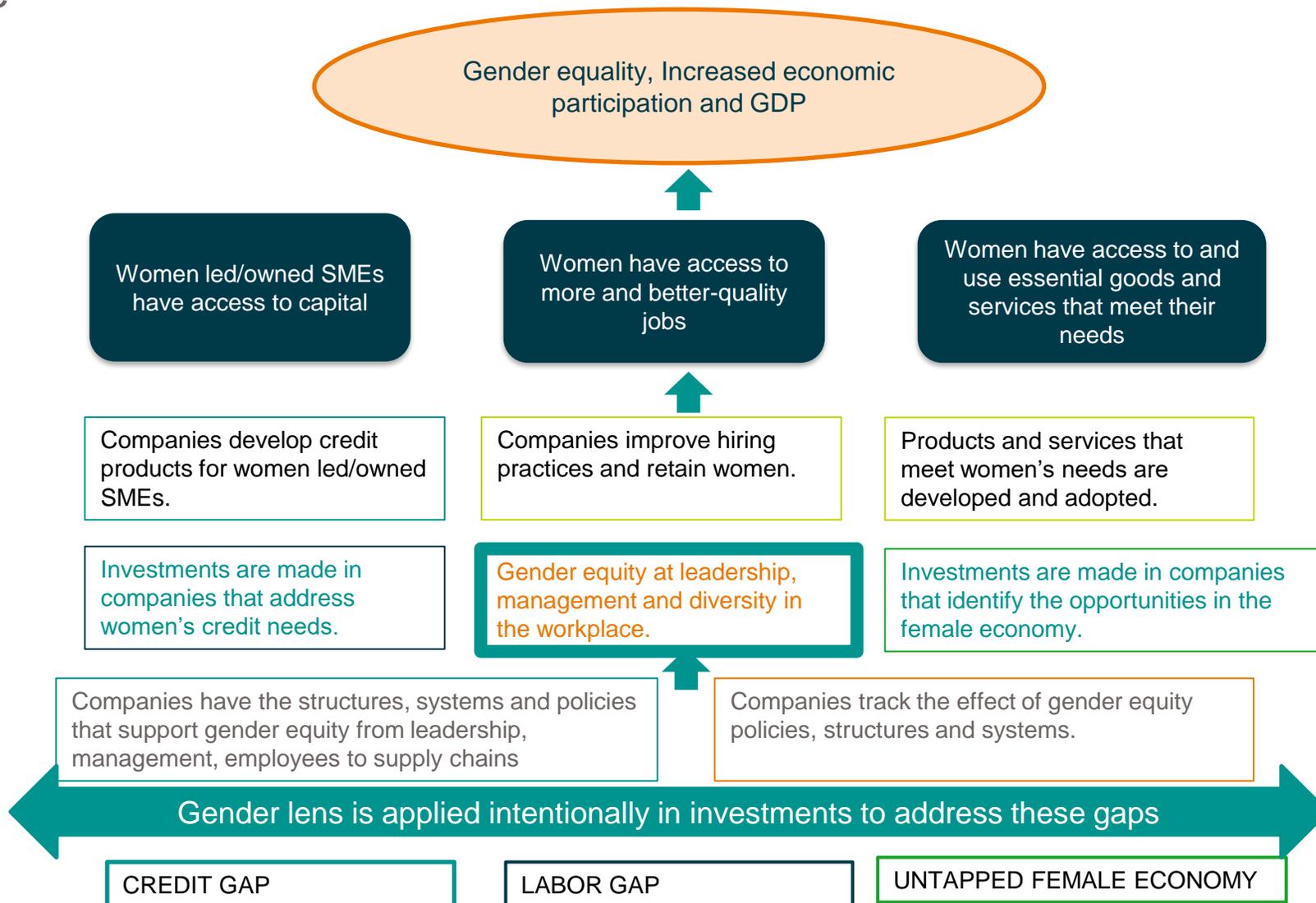
A high-level theory of change

*GLI enables gender equality and women's economic participation through access to capital, jobs, essential goods and services.*

*GLI can be applied from a portfolio perspective by applying gender smart investment strategies i.e investing in Co.s with women representation in leadership, and Co.s providing capital to women, those innovating women's products.*

*GLI can be applied from an institutional perspective where structures, systems and policies support gender equity from leadership to accountability on outcomes.*

*There is a wide range of issues impeding women's economic participation*



# Major actors applying gender lens investing

DFIs, Institutional and Impact investors, enabling platforms



Women's World Banking



CRITERION INSTITUTE



The 2X Challenge is comprised of 14 DFIs many of whom are members of CGAP and leaders in financial inclusion.

# Institutional and impact investors apply GLI in two ways

## AT THE INSTITUTIONAL LEVEL

---

Investors, investment funds choose to strengthen diversity within their own institutions.

- Publicly commit to gender diversity,
- Set targets for gender outcomes,
- Set up gender strategies, policies and structures for internal gender diversity,
- Set up accountability requirements on measuring and reporting progress.

## AT THE INVESTMENT PORTFOLIO LEVEL

---

Investors and investment funds make gender smart investments based on targeted gender outcomes.

- Invest in women owned/led companies
- Invest in companies that address gender issues e.g., those that innovate on women's products and services (incl. financial services)
- Invest in companies with gender diverse management teams and employees
- Invest in industries/sectors where women are significant participants as employees, producers, distributors, retailers

Investors apply a gender lens through out the investment process from deal origination, due diligence, deal structuring, portfolio management ETC.

# Platforms and other stakeholders help crowd in capital and sustain GLI adoption

Various initiatives have been launched to provide tools and frameworks, guiding investors, investees on how to adopt and implement gender smart investment strategies, helping crowd in more investors.



- The 2X Challenge mobilized US\$11.4Bn in capital from DFIs (target US\$ 15Bn) between 2018-2021
- Membership is now 18 members and growing from 8 initial members
- 2X criteria provides metrics and guidance to measure impact of investments



- Provides technical support, resources to impact investors interested in GLI
- Holds regular convenings on GLI with investors and investees
- Developed IRIS+ a set of indicators for measuring the impact of GLI

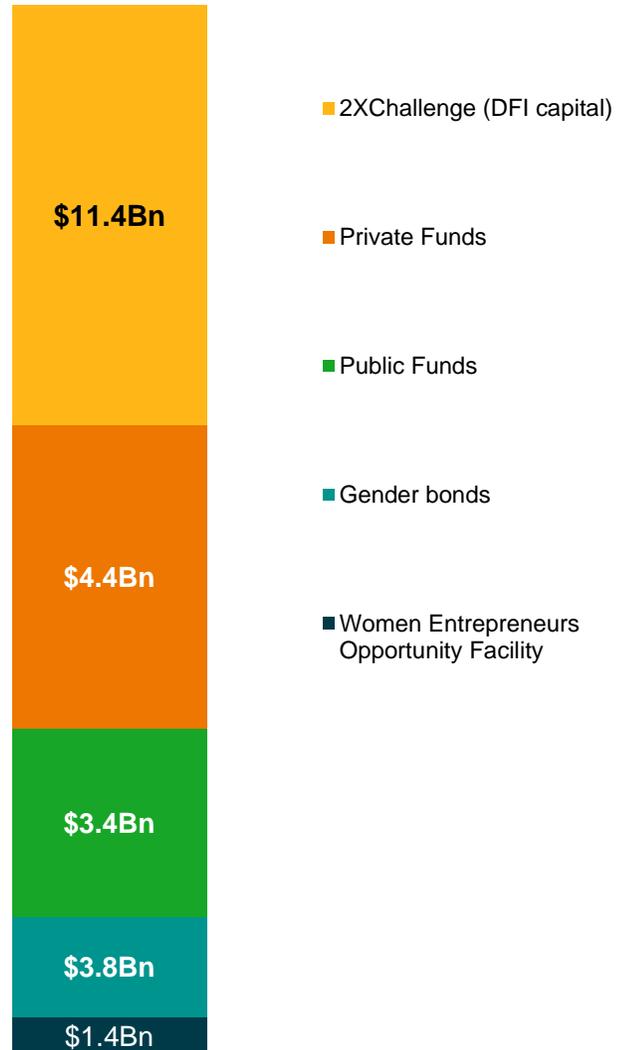


- Builds the capacity of gender finance investors, investment influencers, thought leaders, experts and intermediaries.
- Catalyst at Large is collecting data on the volume of capital going into GLI globally



# GLI funding continues to grow exceeding US\$ 24 Billion

Estimated total GLI funds \$24B



GLI is growing as an asset class attracting more investors and fund managers.

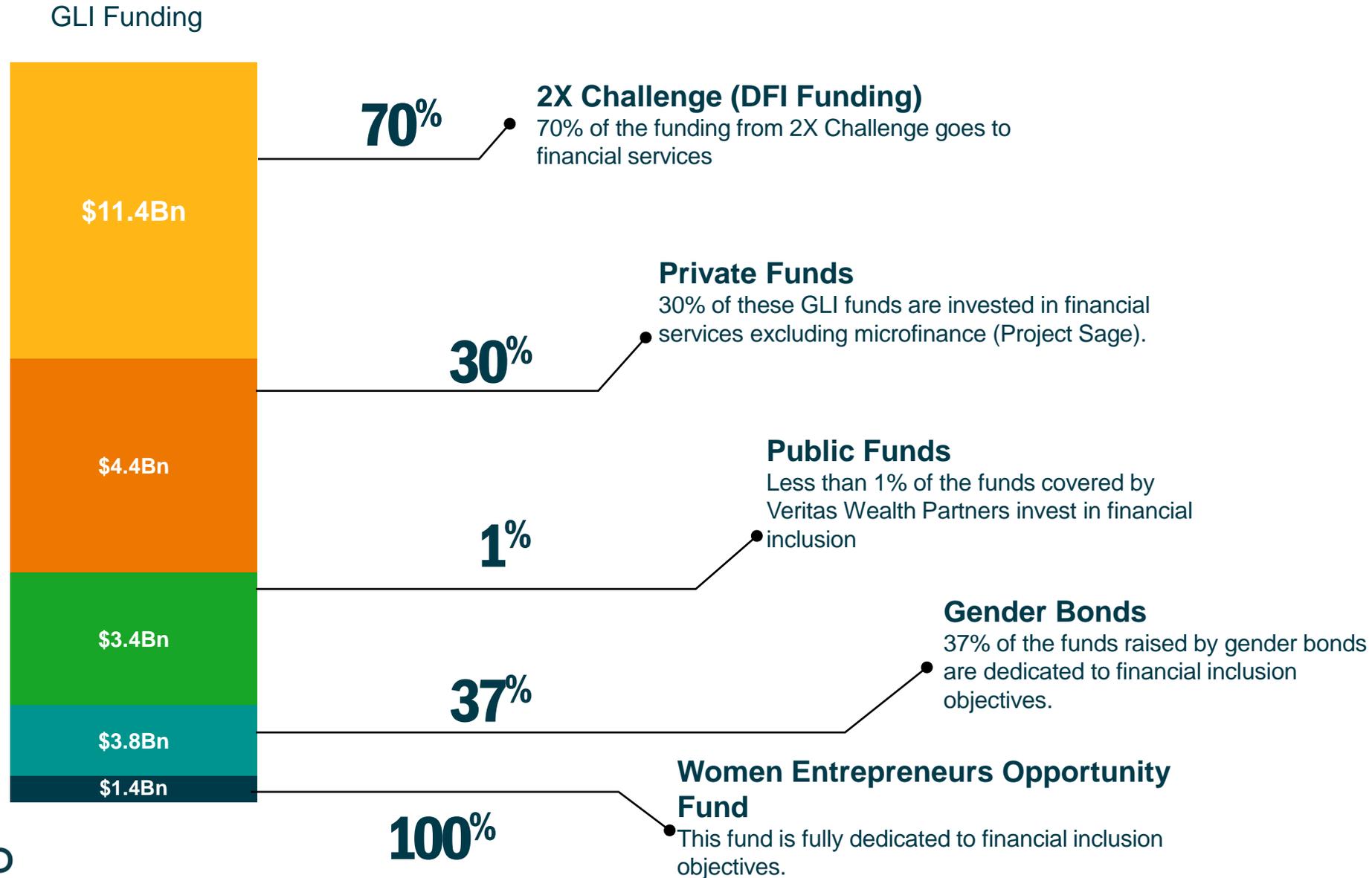
Total GLI funding consists of various types of capital.

Sectors of investment include **financial services**, health, education, agriculture, renewable energy, infrastructure and climate.

It is difficult, however, to account for how much GLI funding is geared towards financial inclusion.

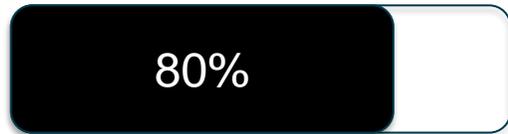
Source: Project Sage and Veritas Wealth

# Estimated GLI funding flows to financial services



# There are opportunities for GFI Investors to do more...

There is still untapped potential within the female economy and women continue to seek financial services that serve their needs.



of household buying decisions worldwide are made or influenced by women.

~ Deloitte



of women globally are unsatisfied with their banking services.

~BCG



of women's businesses in emerging economies have unmet credit needs.

~ IFC



is the current global labor force participation rate for women.

~ILO

Investors need to continuously view women not just as entrepreneurs but also as consumers.

Financial sector/inclusion investors can invest in the expansion of financial services that meet women's consumer needs e.g., energy needs (PAYGO solar), health needs, affordable housing (iBUILD).

Fintechs are well positioned to serve the large and fast-growing female economy with 40% of private GFI funds going to Fintechs.

Investments should be made in FinTechs with a gender-intelligent customer value proposition.

Fintechs should endeavor to collect gender disaggregated data to help inform decisions on appropriate financial services for women.

There is still a \$1.7Trillion unmet demand for credit among female owned formal micro-SMEs in developing markets.

Investors should find opportunities to invest in solutions that address the demand for credit and other financial needs of women-run microbusinesses.

Gender analysis can help identify sectors where women are active participants as workers. Investors can channel investments to these sectors leading to job creation for women.

# There are various challenges for stakeholders

1. **Fragmentation of initiatives:** There are different platforms and networks supporting GLI. These could be better aligned and integrated.
2. **Sex-disaggregated data:** There is an effort underway (We Finance/Invest Code) which seeks to capture data about women entrepreneurs but more needs to be done to capture all dimensions of GLI.
3. **Investor perception:** Mainstream investors tend to associate GLI with reduced financial returns/performance.
4. **Measuring and understanding impact:** Impact measurement is not consistent and will vary by type of investor/funder. Investors are at various stages of understanding the impact of GLI. Evaluations are conducted by some investors but there is no comprehensive body of evidence for GLI.

# CGAP can play a role in influencing adoption of GLI for financial inclusion

- CGAP's work in customer-centricity and gender norms is critical in the development of financial products and services for women.
- FinEquity is a well-established community on gender – how can it contribute?
- Expand CGAP's funder survey to capture more gender data aligned with GLI metrics.
- Adapting CGAP's gender strategy based on GLI learnings.
- Collaboration with the financial sector in applying GLI especially around sex-disaggregated data.

# Thank you

To learn more, please visit  
[www.cgap.org](http://www.cgap.org)