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**GARANTI BANK TURKEY:  
COMBINING SME BANKING  
EXCELLENCE WITH A  
PROPOSITION FOR WOMEN  
ENTREPRENEURS IN TURKEY**

**LEARNING STUDY ON IMPACT OF BANKING ON  
WOMEN PROGRAMS IN EUROPE, CENTRAL ASIA,  
MIDDLE EAST AND NORTH AFRICA**

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# KADIN GİRİŞİMCİ BULUŞMALARI



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# TABLE OF CONTENTS

<b>1. INTRODUCTION</b>	<b>9</b>
<b>2. BACKGROUND</b>	<b>9</b>
<b>3. UNDERSTANDING THE CONTEXT IN TURKEY</b>	<b>12</b>
a) A Large and Underserved SME Market	12
b) Low Female Workforce Participation in Turkey	13
<b>4. SME BANKING PLATFORM MARKET LEADERSHIP</b>	<b>15</b>
a) A Tiered Segmentation Approach Using Size, Structure and Product Usage	15
b) “Same Pocket” Relationship Management Model	16
c) Synergies Leveraged Across Garanti Group	17
d) Customized Product Packages for Different Sectors of SME	18
e) Optimized Credit Model for Efficiency	19
<b>5. FORMATION OF GARANTI PROPOSITION TO WOMEN ENTREPRENEURS</b>	<b>20</b>
a) Garanti’s Decision to Target Women Entrepreneurs (WE)	20
b) Identifying Women Entrepreneurs in the Portfolio	20
c) Segment Positioning Within Garanti	22
d) Garanti’s Three-Pillar Proposition for Women Entrepreneurs	22
1) Pillar I – Financial Support	22
2) Pillar II – Educating Women Entrepreneurs	23
3) Pillar III – Encouraging Women Entrepreneurs	25
e) Developing Partnerships to Support Women Entrepreneurs	26
f) Garanti Bank as an Employer of Choice for Women	27
g) Garanti Bank and Corporate Social Responsibility	27
h) Performance of Women Entrepreneurs’ Businesses to date	28
<b>6. CONCLUSIONS AND RECOMMENDATIONS FROM IFC</b>	<b>30</b>

# FOREWORD



**Xavier Reille**

EMENA FIG Advisory Manager,  
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As an investor in emerging markets, the International Finance Corporation (IFC) strongly believes that investing in women's entrepreneurship is not only essential for economic growth but is also good business. IFC's commitment to advancing gender equality is therefore anchored in a strong business case for profitable, gender-smart banking solutions that reduce the gap between men and women as entrepreneurs. IFC works through financial institutions to provide much-needed access to finance for millions of micro, small, and medium enterprises – in particular to those owned by women. In doing so, we contribute to reducing the gender credit gap, which is at the heart of the World Bank Group's new gender strategy and an important part of the World Bank Group's vision of ending extreme poverty and building shared prosperity. But banking on women programs not only benefit women entrepreneurs and close the gender credit gap, they equally benefit banks by providing a growing and profitable business opportunity. Banks who target women borrowers benefit from tapping into a large, fast-growing and underserved customer segment. They can also benefit from cultivating a customer base that exhibits a more loyal behavior towards their main bank and potentially provides more profitable opportunities compared to male customers – as we have seen in cases of Garanti Bank Turkey and BLC Bank. Banks who target women borrowers can also benefit from a borrower segment that exhibits better pay-back rates and more diligently adheres to payment discipline, as we have seen in the case of Garanti Bank Romania. As such, the female borrower segment can be a powerful

contributor to a bank's growth and performance. Banking on women programs can help banks improve performance, drive growth and profitability.

Over the past decade, IFC has been working through financial institutions around the world to reduce the credit gap for women entrepreneurs. Through our investment and advisory engagements with client banks interested in serving women entrepreneurs, we have built a sizeable portfolio around the globe. On their journey to develop and grow these banks' banking on women, our client banks have taken different approaches and in doing so have generated a considerable amount of knowledge and learning – in particular with regards to how these banking on programs have affected the bank's business.

It is with great pleasure that I introduce to the readers the "EMENA Banking on Women Learning Studies". This report compiles three individual case studies of banking on women programs from three IFC client and –partner banks. This report is a joint initiative and the result of a long-standing partnership between the IFC, BLC Bank, Garanti Bank Romania and Garanti Bank Turkey. The objective of these learning case studies is to inspire and inform financial institutions, donors and others interested in developing similar programs and to share some of the learning from our client and partner banks in East Europe, Central Asia and the Middle East and North Africa.

I invite you to enjoy the insights on good practices and success drivers, to learn from these three case studies and to think of ways in which your institution can strengthen its business by creating economic opportunities for women.



## Deepa Chakrapani

Head, Development Impact Unit  
International Finance Corporation

The World Bank Group's FY16-23 gender strategy put forth an ambitious path toward improving opportunities for women because failure to fully capitalize on women's productive potential represents a major missed opportunity for global economic growth. Women-owned micro, small and medium enterprises (MSMEs) are already becoming a force to be reckoned with when it comes to growth and development of economies in which they operate. An estimated 31% - 38% of formal Small and Medium Enterprises (SMEs) in developing economies are owned fully or partially by women<sup>1</sup>. Yet on average only about 10 percent<sup>2</sup> of women entrepreneurs have adequate access to the capital required to grow their businesses. This fast growing market segment is widely underserved and represents a unique and lucrative opportunity for financial institutions around the globe.

As part of the World Bank Group and an investor in emerging markets, the International Finance Corporation (IFC) has a development objective to enhance access to finance to women entrepreneurs. IFC's Banking on Women Program, established in 2010, aims to help financial institutions, especially those with mature SME lending portfolios, to tap into this growth segment. This publication presents IFC's experience with three IFC client and partner banks - Garanti Bank Turkey, Garanti Bank Romania and BLC Bank Lebanon. It showcases the unique experiences of and insights into the individual journeys of these banks

in lending to women owned SMEs, and offers a rich and diverse set of learnings and recommendations.

Despite the fact that each one of these banks is at a different stage of the "Banking on Women" program and as such, has taken a unique approach to capitalize on this fast growing and profitable segment, there are unifying themes that emerged from these studies. All three banks, for example, understood that a superficial "pink-washing" of their "Banking for Women" Strategy is not an option. On the contrary, providing real solutions to problems faced by women entrepreneurs proved to be critical to their programs' success. Investment in gender-disaggregated data strongly emerged as one of the key success factors as well (albeit that it remains a challenge for many banks.) And last, but not least, there is evidence encountered that the female entrepreneurs' customer segment makes a positive contribution to the banks' bottom lines.

In short, despite the fact that complexities of tackling issues of access to finance for women entrepreneurs are unique for every financial institution that embarks on this journey, successful first-movers like BLC bank Lebanon, Garanti Bank Turkey, and Garanti Bank Romania have an important role to play in transferring knowledge, creating a blue-print and inspiring other banks.

My hope is that you find the studies presented in this publication informative and thought provoking. Without further ado, I invite you to explore these studies and form your own conclusions.

<sup>1</sup> IFC Enterprise Finance Gap Database (2011).

<sup>2</sup> Banking On Women: Changing the Face of the Global Economy, <http://www.ifc.org/wps/wcm/connect/9be5a00041346745b077b8df0d0e71af/BOW+FACT+SHEET+NOV+1+2013.pdf?MOD=AJPERES>

# ACRONYMS

ATM	Automated teller machine
CASA	Current account/savings account
CSR	Corporate social responsibility
CSR	Customer service representative
CVP	Customer Value Proposition
EBRD	European Bank for Reconstruction and Development
EU SBA	Small Business Act for Europe
EVP	Executive vice-president
GEM	Global Entrepreneurship Monitor
IFI	International financial institution
IRR	Internal Rate of Return
IT	Information technology
L/G	Letter of guarantee
MSME	Micro, small and medium enterprises
NFS	Non-financial service
NGO	Non-governmental organization
NPL	Non-performing loan
NPS	Net Promoter Score
OD ACC	Overdraft account
OECD	Organization for Economic Co-operation and Development
OPIC	Overseas Private Investment Corporation
POS	Point-of-sale terminal
RM	Relationship manager
RoAA	Return on average assets
SME	Small and medium-sized enterprises
TL	Turkish lira

# I. INTRODUCTION

Garanti Bankası (Garanti) is a regional pioneer in offering products and services specifically targeted towards women entrepreneurs as a specific market segment. In 2006, Garanti created a Women's Entrepreneur Support Package specifically designed to help Turkey's women entrepreneurs to establish and grow their businesses. This was followed up with the creation of Women Entrepreneur Gatherings in 2007, which provided additional training and educational tools and new networking opportunities. And in 2013, Garanti began collaborating with Bogazici University, a top university in Turkey, to offer an intensive mini-MBA training program for women entrepreneurs. Garanti also launched Turkey's first Woman Entrepreneur of the Year award, an initiative that showcases women who have successfully grown their businesses, encouraging

more women entrepreneurship in the country.

This case study (the "study") explores how Garanti leaders decided to focus on women entrepreneurs. It also documents and analyzes the bank's efforts to build a profitable and sustainable "women in business" franchise through its three-pillar approach, including financial support, client education, and the encouragement of entrepreneurship. The case study also provides insights into how Garanti tapped into its highly innovative, market-leading SME Banking franchise to more effectively target women in business. The study concludes with an objective assessment of the results of the program to date, offering suggestions from IFC specialists on how Garanti may further scale up its women in business initiative in the next phase of development.

# 2. BACKGROUND

Established in 1946, Garanti is Turkey's second largest private bank, with consolidated assets exceeding \$104 billion.<sup>1</sup> Garanti is an integrated financial services group operating across all key business segments, including corporate, commercial, SME, payment systems, retail, private and investment banking. It also maintains subsidiaries that cater to pension and life insurance, leasing, factoring, brokerage, and asset management. The bank has an international footprint, particularly in Europe, with full subsidiaries based in the Netherlands, Romania, and Russia.

Garanti provides a wide range of financial services to 12 million customers across a distribution network of 988 domestic branches. The bank has invested heavily in a large network of alternative channels, including

3,992 ATMs, an award-winning Call Center, and internet, mobile and social banking platforms, all built on cutting-edge technological infrastructure.

Garanti's strategy has long focused on small and medium enterprises (SMEs) in Turkey, a segment that drives growth and employment. Today Garanti is a market leader in the SME segment, with approximately 1.5 million customers. In 2012, Garanti provided the equivalent of \$7.2 billion in lending to SMEs.

In 2006, Garanti became the first bank in the region to offer products and services specifically targeted towards women entrepreneurs, in line with a new Turkish government policy supporting women's entrepreneurship.

<sup>1</sup> Data is as of September 30, 2013. Garanti Bank is jointly controlled by Turkish Doğuş Holding Co. and Banco Bilbao Vizcaya Argentaria S.A. (BBVA) of Spain under the principle of equal partnership. Having shares publicly traded in Turkey, the UK and the USA, Garanti Bank has an actual free float of 49.94%.





Garanti Ekonomist

# TÜRKİYE'NİN KADIN GİRİŞİMCİSİ YARIŞMASI

KAGİDER

Garanti

Ekonomist



### 3. UNDERSTANDING THE CONTEXT IN TURKEY

#### A) A LARGE AND UNDERSERVED SME MARKET

Turkey's economy is heavily reliant on its SME sector to provide growth and jobs, with micro, small and medium enterprises (MSMEs) accounting for

nine out of every 10 SMEs (Figure 1). Figure 1 also emphasizes MSMEs as the leading job creators and providers of economic value added to the Turkish economy. Concentration is also highest in the micro and small enterprise segments.

**Figure 1: Comparing SME Sector in Turkey and EU**

	Number of Enterprises			Employment			Value added		
	Turkey		EU27	Turkey		EU27	Turkey		EU27
	Number	Share	Share	Number	Share	Share	Number	Share	Share
Micro	2.327.524	94,4%	92,1%	2.821.329	38,5%	29,8%	48.286	45,0%	21,6%
Small	120.215	4,9%	6,6%	806.152	11,0%	20,4%	12.286	11,5%	18,9%
Medium-sized	14.030	0,6%	1,1%	1.436.191	19,6%	16,8%	16.412	15,3%	17,9%
<b>SMEs</b>	<b>2.461.768</b>	<b>99,9%</b>	<b>99,8%</b>	<b>5.063.672</b>	<b>69,2%</b>	<b>66,9%</b>	<b>76.984</b>	<b>71,8%</b>	<b>58,4%</b>
Large	3.023	0,1%	0,2%	2.257.320	30,8%	33,1%	44.751	41,7%	41,6%
Total	<b>2.464.792</b>	<b>100,0%</b>	<b>100,0%</b>	<b>7.320.991</b>	<b>100,0%</b>	<b>100,0%</b>	<b>107.232</b>	<b>100,0%</b>	<b>100,0%</b>

Source: EU SBA Factsheet, 2012 (note: "Value added" is a share of contribution to the country's GDP)

Turkey has adopted a standard definition for SMEs: firms with between one and 49 employees are classified as micro and small, and those with 50 to 250 employees are considered medium-sized. Financially, SMEs must have less than the equivalent of \$23 million in annual sales and the

same for total assets (Figure 2). MSME enterprises dominate the Turkish market, with the segment, representing 99% of all businesses, 70% of all jobs, and almost 72% of business revenue, according to the 2012 EU SBA Factsheet on Turkey.

**Figure 2: Standard SME Definition Adopted Across Turkey**

	Micro	Small	Medium
# of Employee	1-9	10-49	50-250
Annual Turnover	< TL 1 Mn (~S 573k)	TL 1 Mn > < TL 8 Mn (~S 4.6 Mn)	TL 8 Mn > < TL 40 Mn (~S 23 Mn)
Balance Sheet	< TL 1 Mn (~S 573k)	TL 1 Mn > < TL 8 Mn (~S 4.6 Mn)	TL 8 Mn > < TL 40 MM (~S 23 Mn)

Source: Garanti Bank, 2013

## B) LOW FEMALE WORKFORCE PARTICIPATION IN TURKEY

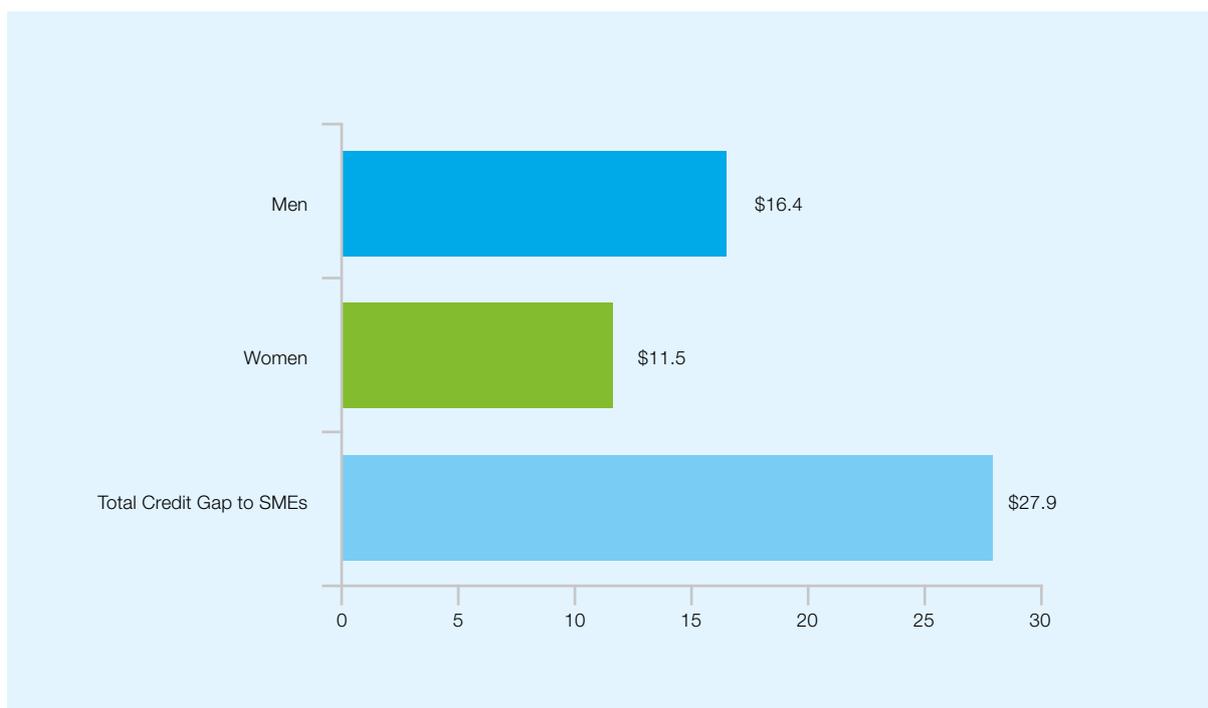
Turkey's female labor force participation has increased in recent years, but still lags. In 2012, less than 30% (29.5%) of working-age women in Turkey either had jobs or were looking for work, according to the Turkish Statistics Institute's Women in Statistics study. This represents the lowest figure across all OECD countries (Mexico, by comparison, is at 43%). Meanwhile, female literacy is above 92%, and the share of economically active women in the population (ages 25-64) is high, at over 58%.

The reality is that nearly half (49.8%<sup>2</sup>) of the women employed in Turkey are unpaid female family workers. This can be explained by the fact that close to 60% of Turkish women

live and are employed in rural areas, where businesses are often run as a male-dominated family enterprise. A report issued in 2012 by the World Economic Forum<sup>3</sup> ranked Turkey 129th out of 130 countries – next to last – in terms of the economic participation of women, and 108th in the educational attainment category.

According to the IFC Enterprise Finance Gap Database study (2011), over 200,000 formal SMEs in Turkey – 38% of the total – are owned and/or run by women. Of these firms, over 54% are either not served or are underserved in terms of finance, with an average unmet financing need of \$56,207 per firm. The potential credit need of this gap group is estimated at over \$11.5 billion, representing a significant opportunity in the Turkish market (Figure 3).

**Figure 3: Turkey Credit Gap for Formal SMEs by Gender (in \$ billion)**



Source: IFC Enterprise Finance Gap Database, 2011

<sup>2</sup> Women in Statistics 2012, Turkish Statistical Institute.

<sup>3</sup> First published in 2006, the report examines four critical areas of inequality between men and women in 130 economies around the globe (over 93% of the world's population):

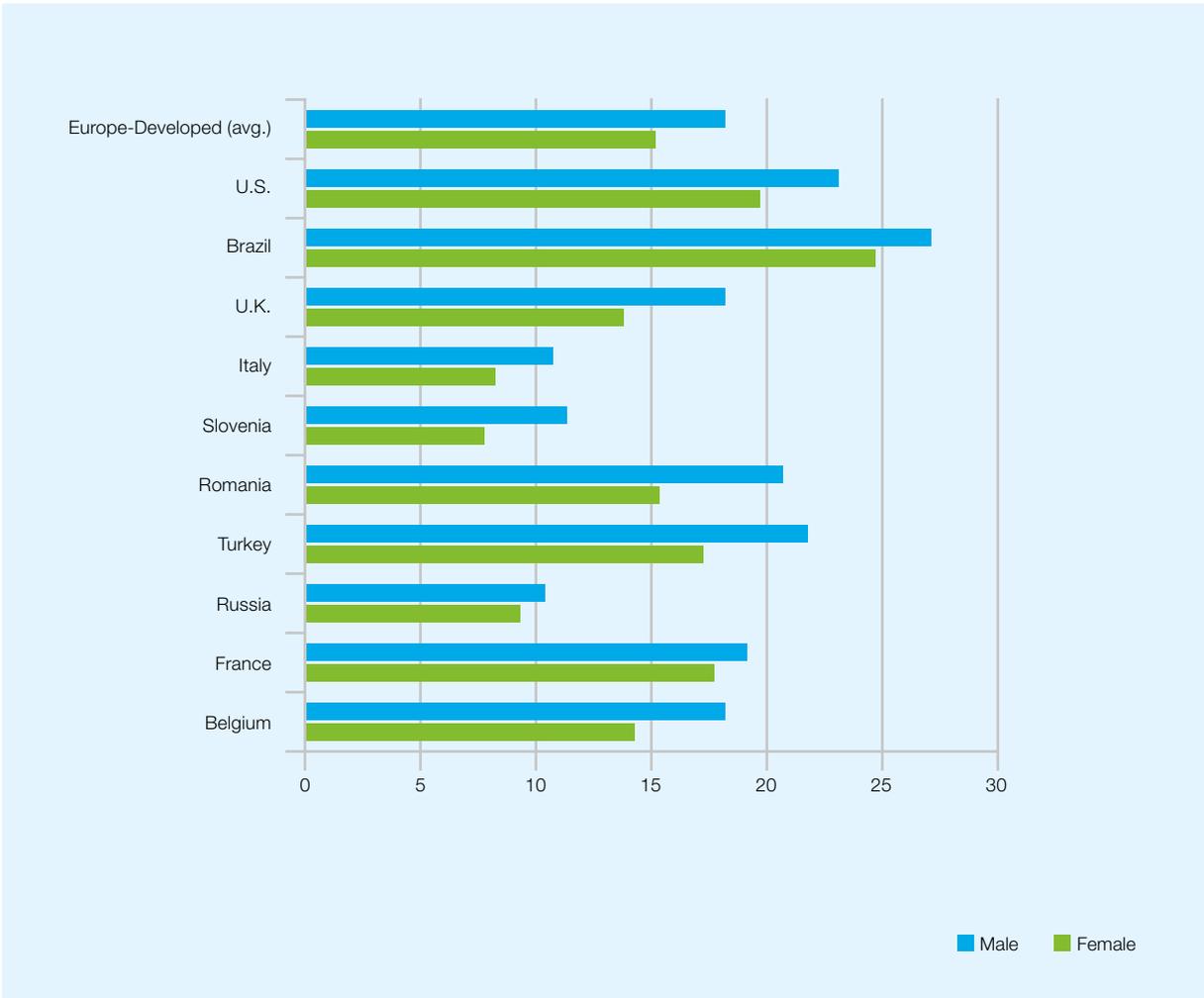
- Economic participation and opportunity – outcomes on salaries, participation levels and access to highly skilled employment
- Educational attainment – outcomes on access to basic and higher level education
- Political empowerment – outcomes on representation in decision-making structures
- Health and survival – outcomes on life expectancy and sex ratio

Thirteen out of the 14 variables used to create the index are from publicly available "hard data" indicators from international organizations, such as the International Labour Organization, the United Nations Development Programme and the World Health Organization.

Figure 4 shows how Turkey fares on the opportunity ratio. The higher the ratios, the more women in a particular country are motivated by the desire to become an entrepreneur, as opposed to being driven to it because of few employment opportunities.

Being employed and having a social network that includes other entrepreneurs are stronger predictors of women's entrepreneurship than educational attainment or household income.

**Figure 4: Entrepreneurial Perceptions for Women and Men: See Good Opportunity in Entrepreneurial Activity (in %)**



Source: GEM, 2012 Women and Entrepreneurship Report

Although there are a number of financial institutions in Turkey that provide active non-banking support to SMEs (a training program to support government directed lending by one of the largest state-owned

financial institutions; a dedicated SME Academy run by one of the private banks), none of them, until recently, looked at women entrepreneurs as a separate, potentially profitable segment.

## 4. SME BANKING PLATFORM MARKET LEADERSHIP

As IFC’s research on gender finance demonstrates, a bank looking to excel at doing business with women entrepreneurs must have a mature and sophisticated SME banking platform on which to build. Garanti is no exception, with SMEs representing a key part of its strategic focus for some 15 years. Garanti was one of the earliest adopters of an organizational structure dedicated to targeting

SMEs – from its head office, down to regional offices and into its vast branch network. With around 1.5 million MSME customers as of the end of 2012, Garanti Bank is one of the leading private sector banks for smaller businesses in Turkey. The bank continues to expand its SME customer base, having added almost 120,000 new customers in 2012, despite highly competitive market conditions.

Garanti’s SME Business – Key Indicators (as of Sept 2013)	
RoAA	2.1%
Loans to Deposits	83.4%
NPLs	3.28%
Non-interest income/ Total income	42.4%

### A) TIERED SEGMENTATION APPROACH USING SIZE, STRUCTURE, AND PRODUCT USAGE

Garanti has developed a tiered segmentation approach toward the SME market (Figure 5), distinguishing between “mass” (non-borrowing clients<sup>4</sup>), “small,” and “medium-sized” segments across three ownership

structure categories: corporations, sole traders and shareholders/individuals who own a business. The bank uses its own definition of SME as opposed to that of the regulators, and adopts multiple criteria (including annual sales turnover, account volume, and the size of credit limits) to establish three distinct tiers within their SME banking business.

**Figure 5: Garanti Bank: 3-Tiered Segmentation Approach**

MEDIUM	
Annual Turnover	TL 3 - 10 Mln or
Banking Volume	TL 200 - 600k
Credit Limit	TL 200k - 2 Mln
SMALL	
Annual Turnover	TL 500k - 3 Mln or
Banking Volume	TL 30 - 250k
Credit Limit	TL 0 - 200k
MASS	
Annual Turnover	< TL 500k or
Banking Volume	< TL 30k
Credit Limit	TL 0

Source: Garanti Bank presentation, 2013 (based on October 2013 criteria)

<sup>4</sup> A “Mass” category client typically is non-borrowing for business purposes. When such a client applies for a business/commercial loan he/she is transferred to a “Small” category. Nevertheless, owners of “Mass” category businesses can have consumer loans.

## B) “SAME POCKET” RELATIONSHIP MANAGEMENT MODEL

Garanti Bank has a 1,600-person team of dedicated relationship managers (RMs) deployed across 973 branches looking after the small and medium-sized business segments. The mass segment is served by a separate team of customer service representatives in the branches, and the bank uses an innovative **Same Pocket Model**, designed to capture both the business

and personal banking needs of SME clients through a single point of contact (the RM). This helps build strong customer loyalty and ensures cross-selling opportunities and more effective risk management. Internal data analytics also confirm that the Same Pocket Model not only expands opportunities for profit and helps grow the business, but also helps effectively manage risk. As Figure 6 shows, banking volumes and customer retention are, by many multiples, significantly higher under this approach.

**Figure 6: Garanti Bank: Opportunities of Same Pocket Model**

Same Pocket Model	
Credits	X8,5
Deposits	X2,2
Banking Volume	X4,3
Retention - Same Pocket	6,79
Retention - Different Pocket	5,20

Source: Garanti Bank presentation, 2013

The crucial factors of the Same Pocket Model are Garanti Bank’s in-depth customer knowledge and its ability to focus all customer services (personal and business) through a single RM. In IFC’s experience, this is in contrast to standard international practice; such services are typically

split across two or more different business divisions, such as retail and corporate banking.

**At Garanti, RM productivity is high by international standards**, with a tiered coverage model mirroring tiered segmentation (Figure 7).

**Figure 7: Garanti Bank: Relationship Management Coverage Model by Segment**

Segment Tier	Role in Branch	Total Coverage (Customers per FTE)	Coverage (Customers per FTE) – Average Performer
Medium SME	ME Relationship Manager	242	50-70
Small SME	SE Relationship Manager	450	80-150
Mass	Customer Service - Branch	1275	500+

Source: Garanti Bank presentation, 2013 (Average Performer data is from IFC internal analysis of global clients portfolio)

RM productivity is also driven by a range of sales and profitability-focused targets, which differ by segment tier. Targets include volume generated, loan sales, customer acquisition, profit per customer, customer efficiency (a proxy for wallet share) and

client interaction requirements, which are also represented in the metrics. For example, an RM for the small SME segment is supposed to make four sales calls to existing and potential clients every day, while a medium-segment RM makes three calls.

### C) SYNERGIES LEVERAGED ACROSS GARANTI GROUP

The ability to quickly develop and roll out convenient and effective products is at the core of Garanti's success with the SME segment.

Successful product development is a result of smart, regular market research, close interaction with SMEs, and feedback from business line staff.

**Garanti Bank has a team dedicated to developing products across business lines, which coordinates**

**its work with product development teams within each business line.** New product development is led by the business line that develops the initial concept. The product development team is in regular contact with sales teams at the regional and branch levels, getting valuable input on various aspects of the new product. A central marketing unit within the SME Head Office is responsible for managing referrals with group subsidiaries like Garanti Payment Systems, Garanti Mortgages, and others. This approach creates synergy between business lines and leads to greater efficiency (Figure 8).

**Figure 8: Examples of Cross Business Line & Group Synergies with SME Division**



Source: Garanti Bank presentation, 2013

Being a part of a diversified financial-industrial group, Garanti Bank enjoys strong synergies through partnerships and close interaction with the group's subsidiaries in finance and banking. The group's subsidiaries are active in asset management, payments, insurance, factoring, leasing and mortgage. Further, all subsidiaries are supported by Garanti Technology, a fully functional IT Center for the group.

Garanti Bank reports that close cooperation among its subsidiaries has helped the bank significantly increase profits through its SME segment:

- Insurance Products: SMEs represent over 20% of the bank's insurance commissions.
- Commercial Credit Cards: SMEs represent 84% of new card sales.
- Salary Payments: 58% of salary payments come from SMEs.
- POS – Cash Management: 67% of SMEs banked at Garanti have POS terminal services.

## D) CUSTOMIZED PRODUCT PACKAGES FOR DIFFERENT SECTORS OF SME

The majority of SMEs in Garanti Bank's portfolio fall into the mass and small segments. Financing requirements for over 90% of firms do not justify a more tailored and customized approach. For this reason, Garanti has adopted a sector-based approach toward SME products and services.

Based on in-depth market research, the bank has identified specific product and service needs for each target sector, and developed proposals and a set of complementary liability and fee-based services. The bank has 17 product support packages for each targeted SME sector, including manufacturing, agriculture, services, tourism, exporting companies, and importantly, women entrepreneurs. The sectors were selected based on their potential in terms of profitability and risk-return (see Figure 9).

**Figure 9: Examples of Product Bundles Offered by Garanti Bank**

SME product bundles			
Segment	Proposition	Loans	Services
Women	<ul style="list-style-type: none"> <li>Improve company's production capacity or improve its service</li> <li>Brand new package for women</li> </ul>	<ul style="list-style-type: none"> <li>Women entrepreneur loan</li> <li>Business premises loan</li> <li>Auto loan</li> <li>Cash loan</li> <li>SME project finance loan</li> </ul>	<ul style="list-style-type: none"> <li>Checking acc, OD ACC, POS, credit card, LG's, foreign trade services, SME pension plan, insurance factoring</li> </ul>
Tourism	<ul style="list-style-type: none"> <li>Flexible cashflow and FX support for agencies, suppliers, cafés, and restaurants</li> </ul>	<ul style="list-style-type: none"> <li>Tourism support loan</li> <li>Business premises loan</li> <li>Commercial vehicle loan</li> <li>Fuel management system</li> </ul>	<ul style="list-style-type: none"> <li>Checking acc, OD ACC, POS, credit card, LG's</li> </ul>
Manufacturing	<ul style="list-style-type: none"> <li>Support for those that want to grow and expand abroad</li> </ul>	<ul style="list-style-type: none"> <li>Machinery loan</li> <li>Cash loans</li> <li>Expo participation loan</li> <li>Certificate acquisition loan</li> <li>Business premises loan</li> <li>SME support loan</li> </ul>	<ul style="list-style-type: none"> <li>Checking acc, OD ACC, POS, credit card, LGs, foreign trade services, SME pension plan, export insurance</li> </ul>
Agriculture	<ul style="list-style-type: none"> <li>Investment and production financing on tens that suit the harvest period</li> </ul>	<ul style="list-style-type: none"> <li>Tractor and harvester loan</li> <li>ST production loan</li> <li>M and LT support loan</li> <li>Greenhouse loan</li> <li>Warehouse receipt loan</li> </ul>	<ul style="list-style-type: none"> <li>Ekin card, agriculture insurance, SME pension for farmers</li> </ul>
Tradesmen	<ul style="list-style-type: none"> <li>Use loans at discounted rates</li> <li>Meet client's financing needs as well as collections and payments</li> </ul>	<ul style="list-style-type: none"> <li>Tradesmen support loan</li> <li>Loan via POS</li> <li>Commercial vehicle loan</li> </ul>	<ul style="list-style-type: none"> <li>Checking acc, SME insurance, tax collection</li> </ul>

Source: Garanti Bankasi website



## E) OPTIMIZED CREDIT MODEL FOR EFFICIENCY

Garanti Bank's leading position in the SME segment is supported by a **well-designed and highly efficient credit process**, which offers three primary capabilities:

- decentralized underwriting and delegated approval authority depending on rating, loan amount, collateral, and customer type;
- a sales team as the first line in risk assessment; and
- an application process handled through an automated loan origination system (LOS) through which application data is entered, transferred, accumulated, and updated on a regular basis.

The credit process is tiered, and uses traditional financial analysis as well as sophisticated scoring

and rating tools, depending on client category and financing needs. Applications from small- and mass-segment SMEs go through a retail-style credit process, supported by statistical scoring for mass and a simplified rating for small. Applications from medium-segment SMEs go through a commercial credit process based around higher loan amounts and/or higher levels of sophistication in terms of the loan product requested (project finance, options, trade finance). Garanti Bank uses an internally-developed simplified rating tool to underwrite applications from medium-segment clients.

**Garanti's turnaround times are some of the fastest in the industry**, with time-to-yes decisions for small and mass clients made in as few as three hours, and disbursements in a single day. For medium-segment clients, time-to-disbursement can be as quick as one day for existing clients, while new client applications are processed within a week.

# 5. FORMATION OF GARANTI PROPOSITION TO WOMEN ENTREPRENEURS

## A) GARANTI'S DECISION TO TARGET WOMEN ENTREPRENEURS (WE)

Garanti began to focus on women entrepreneurs as a customer segment in 2006. At this point no other Turkish financial institution was focusing on this area of the market, though international interest in this sector had increased.

Garanti Bank's strategic vision was to become the bank of choice for women entrepreneurs by providing them "the managerial and consultancy support needed to help them reach a competitive level in global markets." (citation?)

Market research showed that women saw no financial service provider in the Turkish market that understood their needs and challenges. The research identified a number of key principles the bank used to develop its Women in Business Proposition. These were as follows:

### Expectations from their bank:

- More relationship management is needed, including creating a partnership.
- Better understanding is expected of WE's needs and differentiated solution delivery.
- Banking business processes should be as simple as possible.
- Low interest rates and service fees should be available for price-sensitive WEs.

### Approach to financial support:

- Financial solutions should not only support WE's business cash-flow, but also production capacity, product quality, and sustainable business development.

### Assessing the opportunities:

- WEs are confident in their own skills and

more likely to know other entrepreneurs.

- WEs are more alert to the existence of unexploited opportunities.
- WEs are emotionally connected to their businesses.
- WEs are more focused on long-term sustainability.

## B) IDENTIFYING WOMEN ENTREPRENEURS IN THE PORTFOLIO

Garanti identifies women entrepreneurs based on a combination of ownership and management criteria. According to the bank, a women entrepreneur is any company or sole proprietor that is at least 20% owned by a woman or group of women, or any business where a woman or women are effectively running the business at the top management level. WE identification is made at the opening of an account, at which time the WE is asked for commercial registration documents providing shareholder specifics. Supplementary checks through the Turkish Trade Registry Gazette confirm and identify the ownership and management structure, as required.

A key challenge with this definition is that, in Turkey, SME shareholding structures are often ill-defined. In addition, details related to shareholders and gender are not always captured during the account opening. Typically, if these details are missing it becomes very difficult to track the full women-in-business portfolio. Garanti has overcome this challenge via data cleaning, with RMs responsible for following up with clients to complete client data on file.



# KADIN GİRİŞİMCİ BULUŞMALARI

Garanti



Panelists seated at the table: **Selin Gü**, **Hande Yılmaz**, **Michael Kızılcı**, **Burcu Kızılcı**



**Figure 10: Garanti Bank: Customer Base: WE Shares in SME Segment\***

# of Women Owned Companies	34,662	Profit	12%
# of Sole-Trader and Self-Employed	105,551	Deposit	10%
<b>TOTAL WEs</b>	<b>140,213</b>	Customer Loan	11%
		# of Customers	12.5%

Note: \* This analysis is done within the customer group of women-owned companies (>50% shareholding, sole-traders and self-employed) who benefited from cash loans.

### C) SEGMENT POSITIONING WITHIN GARANTI

Similar to what IFC has seen globally with leading players such as Westpac in Australia, Garanti does not manage WEs as a separate segment within the Bank. Instead it incorporates them into the main SME Banking business as a marketing sector. Although there is a specific WE Support Package designed and branded for women (“Black Shoe” brand), women entrepreneurs are managed like other SMEs. The bank has no RMs dedicated to women, nor are there any specific targets provided to them or new skills provided for more effective support for women.<sup>5</sup> The bank does not use gender champions or ambassadors within the network, as IFC has seen in other successful providers. Instead, WE ambassadors are located in regional hub-offices, promoting and organizing WE events. Subsequent new leads and opportunities developed through such events are channeled to RMs for follow up.

Organizationally, the WE business is integrated into the SME Banking business line. The WE initiative has to date been led by the Head of Entrepreneurship Banking for the SME department and supported by the corporate communications

team. This is interesting to IFC, given the potential scale of the opportunity for the bank in this sector and the typical need for dedicated resources in marketing and communications support.

### D) GARANTI'S THREE-PILLAR PROPOSITION FOR WOMEN ENTREPRENEURS

Garanti's proposition for WEs initially started with the development of a WE package that bundled several products (predominantly credit products) together. This has evolved over time into a value proposition based around three main pillars to support WEs:

- Pillar I – Financial Support
- Pillar II – Education
- Pillar III – Encouragement

#### 1) Pillar I – Financial Support

Garanti designed a support package of predominantly credit products to address the basic financing needs of WEs. The bank does not develop separate products for women per se, as the bank believes fundamental financial needs are the same for men and women entrepreneurs. The only difference in the lending products is in small pricing concessions (see Figure 11).

**Figure 11: Garanti Bank's WE Product Package**

- Women Entrepreneur commercial loan
- SME project loan
- Overdraft
- Foreign trade services
- Letter of credit
- POS
- Pension program for women entrepreneurs
- Leasing
- Business credit card
- e-commerce (vPOS)
- Insurance (covers critical illness)
- Gold secured loans for WEs
- Factoring



Source: Garanti Bank, 2013

<sup>5</sup> RMs in Garanti Bank branches only have volume-based and number-of-products targets, which do not provide strong incentive to proactively push WE segment business.

Contrary to IFC’s global observations, Garanti has found that women are just as price sensitive as their male counterparts. This is different from the commonly held assertion that women are more loyal customers who believe in strong relationship management and are willing to pay for it. For Garanti, credit is deliberately priced aggressively, as women have been found to be more sensitive to price, and more likely to “shop around,” at least initially, compared to their male counterparts. This may be related to a “culture of subsidy” in Turkey, and the perception that government subsidies are potentially available to support a loan to a woman entrepreneur. This deviation from global norms might also be due to high levels of female education in Turkey or the urban-based woman entrepreneur segment the bank tends to acquire. Collateral policies remain gender-neutral, however, with the same credit policy parameters adopted for male and female entrepreneurs. Other than price, Garanti makes no other customization at an individual credit-product level for women. Women and men customers at Garanti differ

significantly in product usage patterns. Women tend to have a strong affinity for savings and insurance products and a risk aversion to full credit products, though credit remains a powerful hook product for cross-selling (see Figure 12).

The concept of savings is also gaining ground in Turkey, although maturities remain rather short term, averaging 1 to 1½ months. This is because SMEs tend to re-invest or utilize funds for other purposes on a discretionary income basis. The bank, in conjunction with the Group’s pension company, has developed a pension plan to tap into the observed savings habits of women, and to encourage longer-term savings. The plan combines a pension plan with educational insurance in one installment and has proven very popular with WEs.

**Women also show a high propensity for buying insurance.** The figures indicate that women are more risk averse and want the security afforded by both life and non-life insurance products.

**Figure 12: Garanti Bank:**

Product Usage – Product Penetration of WE Loan Customers	
Non-Life Insurance	41%
Life Insurance	60%
Credit Card	62%
Internet	58%
ATM	88%
POS	23%
Overdraft	17%

Source: Garanti Bank, 2013

The bank effectively leverages government-funded guarantees and financial support for WEs, particularly from the main two support agencies which female entrepreneurs can access: KOSGEB (Small and Medium-sized Enterprises Development Organization) and KGF (Credit Guarantee Fund) which provide credit guarantees for SMEs and offer special programs for WEs.

source of collateral for women. Banks have recently been establishing gold accounts to incentivize customers to physically store gold outside the home. While this product has not been designed specifically for WEs, and has only recently been rolled out, it is an example of innovative product design that considers and takes advantage of cultural and social norms to make it easier for women to access finance.

The bank launched a gold loan product in 2013, aiming to capitalize on gold’s appeal to women. The collecting of gold is a cultural habit in Turkey, and women begin to accumulate gold jewelry from birth. As such gold can represent a valuable alternative

**2) Pillar II – Educating Women Entrepreneurs**  
The bank views the education and entrepreneurial encouragement of women as key to its proposition. The aims in educating women entrepreneurs are three-fold:

- To provide information on essential subjects needed to run a business.
- To encourage female entrepreneurs in exploring and identifying new business opportunities through networking.
- To support the development of personal and business management skills needed to successfully run a business.

*“Women entrepreneurs need more encouragement to move their businesses to the next level, beyond what they have already achieved. Through our support value proposition, we encourage them to grow their existing businesses.” – Senior Manager Responsible for Women Entrepreneurship at Garanti Bank, Istanbul, Turkey*

**Women Entrepreneur Gatherings** provide a sustainable method of providing business education to WEs across Turkey. Garanti Bank began organizing WE Gatherings in the regions in 2007, in conjunction with KAGIDER, the Women Entrepreneurs Association of Turkey and a Garanti partner. Gatherings are typically held in five cities each year, with local Garanti branches helping organize and advertise the events. In general, such events host on average of 150-200 participants, including around 30%

non-clients. The local press and KAGIDER’s own network are extensively leveraged to advertise and promote the event in the community.

A typical one-day event is co-branded as Garanti Bank and KAGIDER jointly, with the focus on

- Marketing
- Financial needs
- Entrepreneurship in a changing environment
- Presentation of local role models (selected from local WEs and most active members of KAGIDER)
- Ways to embrace the digital platform (e-commerce)

Over the past five years, the gatherings have been held successfully in 24 cities, reaching over 4,500 WEs. Garanti initially developed a formal training program for WEs jointly with KAGIDER, but this proved to be very costly and difficult to organize. In September 2012, however, Garanti and Bogazici University established Turkey’s first WE Executive School to provide a mini-MBA for female entrepreneurs. Given the time constraints of WEs, the course lasts only about 1½ months, and takes place in a different city each quarter. The course (syllabus, Figure 13) requires 100 hours of classroom time, followed by an examination to ensure certification.

**Figure 13: Garanti Bank- Boğaziçi University: Mini-MBA Contents**

Subject / Module	Hours
Institutional and individual motivation	5
A financial perspective on managing a company	10
Institutionalization	5
Positive Thinking	5
Innovative Management Skills and Entrepreneurship	5
Turning Problems into non-Problems	5
Equal Practices / Good Practices in Companies	5
Management’s place in the Global Village	5
Corporate Management and Human Resources	5
Legal Matters in SMEs	10
Stress Management under Uncertainty	5
Continuity in Customer Relations	5
Success Factors in International Trade	10
Problems in Family Businesses	10
Change Management	5
Visionary Identity in Organizations	5
<b>TOTAL</b>	<b>100</b>

Source: Garanti Bank, 2013

As of November 2013, more than 467 businesswomen – about 70% of all attendees – have completed the program and earned certificates from Boğaziçi. To date, the training courses have been conducted in Istanbul, Izmir, Ankara, Antalya, Denizli and Gaziantep, with two more cities planned before the end of 2013. A list of attendees is passed on to regional RMs, which represent a strong business development component of the initiative. After two years, Bogazici plans to carry out research to assess the impact of the training on WEs in Turkey.

Women entrepreneurs are offered this training program for free, yet it is proving difficult to find sufficient numbers in the market willing to give the time and meet strict eligibility criteria. Pro-active campaigning through RMs in branches supported by strong partnership ties with local chambers of commerce can help Garanti to overcome this challenge. In IFC's experience, such schemes are costly, difficult to scale and hampered by traditional social norms. The program offered by Garanti today is 50% cost-shared by an IFI as part of a \$60 million loan for on-lending to women entrepreneurs. Yet the bank needs to clearly articulate the business case for offering such education and ensure that the training can remain available on a stand-alone and sustainable basis. A key challenge with this initiative is how to achieve sufficient scale

in a cost-efficient manner and make a material difference to the market. This is an issue IFC frequently encounters, one in which technology and alternative channels (mobile, internet) could assist. Looking ahead, Garanti plans to introduce training programs involving e-learning and remote teaching tools in partnership with Bogazici.

### 3) Pillar III – Encouraging Women Entrepreneurs

Research performed by Garanti Bank has demonstrated a strong need for women in Turkey to be encouraged to manage and grow their businesses. Garanti's creation of a Woman Entrepreneur of the Year (WEY) award in Turkey is a key part of this encouragement process.

The bank manages the WEY award in conjunction with KAGIDER and the local Ekonomist magazine. The competition aims to draw public attention to women entrepreneurship, boost WE numbers in Turkey to match those of developed countries, and celebrate WEs' contributions to the Turkish economy.

Within the scope of the competition, success stories of women doing business all over Turkey are evaluated and presented with the intention of promoting the winners as role models. There are four specific nomination categories for the competition (Figure 14).

**Figure 14: Woman Entrepreneur of the Year Award: Nomination Categories**

The screenshot shows the website for the Turkey's Woman Entrepreneur Competition. The header includes the title 'TURKEY'S WOMAN ENTREPRENEUR COMPETITION' and navigation tabs for HOME, ABOUT COMPETITION, APPLICATION, PREVIOUS WINNERS, and PROJECT PARTNERS. The 'APPLICATION' tab is active. Below the navigation, there is a list of nomination categories for the year 2013, each with its own set of application conditions and prizes.

Year 2013	Prizes
<b>Turkey's Woman Entrepreneur</b>	20,000 TL cash 1 year free subscription to Ekonomist, Capital and Eline Magazines 1 year free KAGIDER membership
<b>Turkey's Promising Woman Entrepreneur</b>	15,000 TL cash 1 year free subscription to Ekonomist, Capital and Eline Magazines 1 year free KAGIDER membership
<b>Turkeys Woman Entrepreneur Who Has Created A Difference In Her Region</b>	15,000 TL cash 1 year free subscription to Ekonomist, Capital and Eline Magazines 1 year free KAGIDER membership
<b>Turkeys Woman Social Entrepreneur</b>	15,000 TL cash 1 year free subscription to Ekonomist, Capital and Eline Magazines 1 year free KAGIDER membership

Source: Garanti Bank, Competition Web Site 2013

The evaluation criteria vary based on category, but in general applicants are assessed against factors such as risk-taking, customer relations management, marketing activities, financial structure, local economic impact, environmental consciousness, and innovative social solutions.

In 2006, the inaugural competition drew 108 applicants. In 2012, more than 6,000 WEs competed for this honor, demonstrating the popularity of the competition and Garanti Bank's dominance in the WE space. Garanti Bank's branches assisted by helping source potential candidates, following up, and preparing shortlisted candidates. RMs in branches are also incentivized to nominate qualified candidates for the competition by offering a one-on-one lunch with the SME banking EVP. Some 75% of competition applicants are already Garanti Bank clients.

### E) DEVELOPING PARTNERSHIPS TO SUPPORT WOMEN ENTREPRENEURS

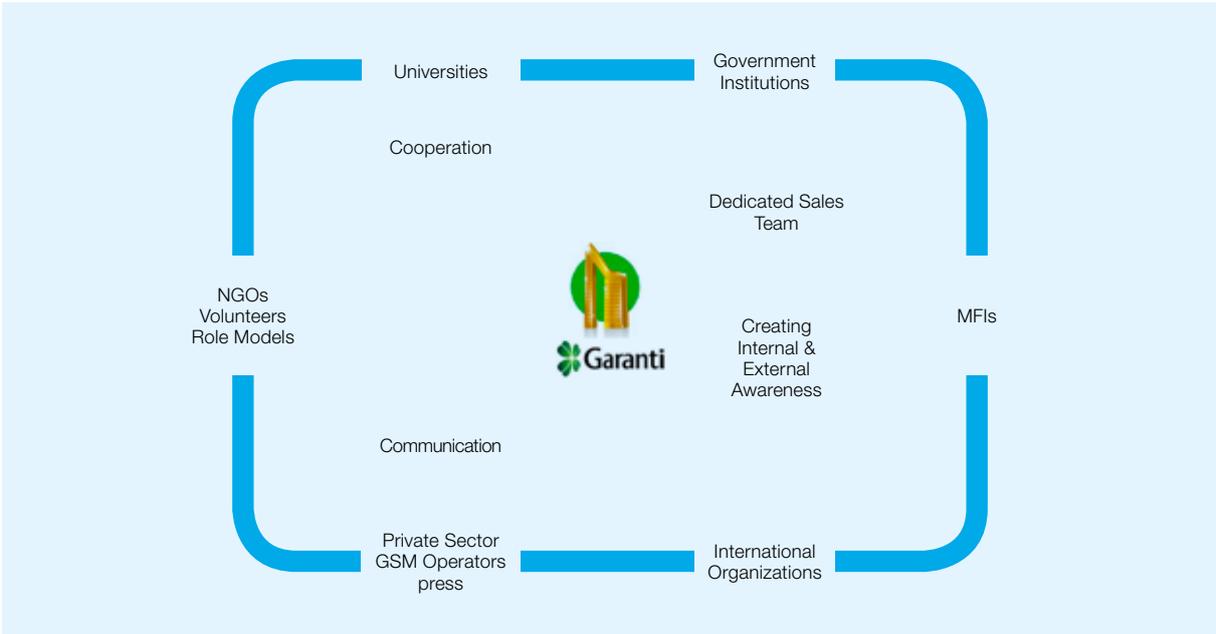
Central to Garanti Bank's strategy is the concept of the WE ecosystem, in which the bank is at the center of an extensive network that supports and promotes WE in Turkey (Figure 15). Garanti Bank has a close affiliation with KAGİTDER, jointly organizing

the WE Gatherings and the WEY competition. The bank also supports a number of local NGOs across Turkey to ensure a regional presence.

Garanti Bank collaborates with top universities, such as Boğaziçi and Middle East Technical University, to develop training and market research. As a bank of choice for WE, Garanti has positioned itself to actively collaborate on policy-making with the Ministry of Family Planning, KOSGEB, KGF, and TOBB (the Union of Chambers of Commodity Exchanges of Turkey). The Bank also works closely with IFIs such as OPIC and EBRD to provide additional sources of funding and technical assistance to support WEs.

Over the last three years, Garanti Bank has been an active member of the Global Banking Alliance for Women (GBA), a consortium of 31 member institutions working in 135 countries to build innovative, comprehensive programs that provide women entrepreneurs with vital access to capital, markets, education, and training. Garanti Bank is collaborating with other members on identifying and sharing global best practices in the delivery of financial services to women. In September 2013, Garanti Bank hosted the 12th Annual GBA Summit, in Istanbul.

Figure 15: Garanti Bank: Women Entrepreneurs Ecosystem



Source: Garanti Bank, 2013

## F) GARANTI AS AN EMPLOYER OF CHOICE FOR WOMEN

In IFC's experience, banks that excel with WEs are themselves employers of choice for women. Banks strive to achieve this goal by measures such as promoting gender balance at all staffing levels or creating a women's association and mentoring programs for women leaders.

Today, nearly 60% of Garanti's 18,000 employees are women. This is one of the highest proportions IFC has come across. Further, after a 2012 audit<sup>6</sup>, PricewaterhouseCoopers found no gender discrimination at the bank.

In terms of gender balance in the workforce, Garanti's representation of women at various staff levels are in line with the practices of peers from Western countries: non-managerial positions at 60% , managerial positions at 50% and top management at 20%.

While the bank does not have a women's association, it caters to the networking needs of women employees through a "Kalemetek" internal website. This is a platform through which women employees are able to share knowledge and information, discuss women-related issues, and meet virtually with successful colleagues.

While the bank does not use gender-specific advocacy scores to assess female employee satisfaction, a yearly employee satisfaction survey is performed with the findings shared with the management team and directors. These are then used to better address employee needs going forward.

## G) GARANTI BANK AND CORPORATE SOCIAL RESPONSIBILITY

Garanti aims to achieve long-term sustainable growth by continuously creating value. The bank believes

that sustainability needs to be a core part of Garanti's decision-making mechanisms and business processes. In 2012, Garanti Bank established a full-time Sustainability Team under the Project and Acquisition Finance Department to enhance the efficiency of its organizational structure for sustainability. To better inform stakeholders on how it will integrate environmental and social factors into its business processes, Garanti published its first comprehensive Sustainability Report in the first quarter of 2013, as part of a Global Reporting Initiative (GRI).

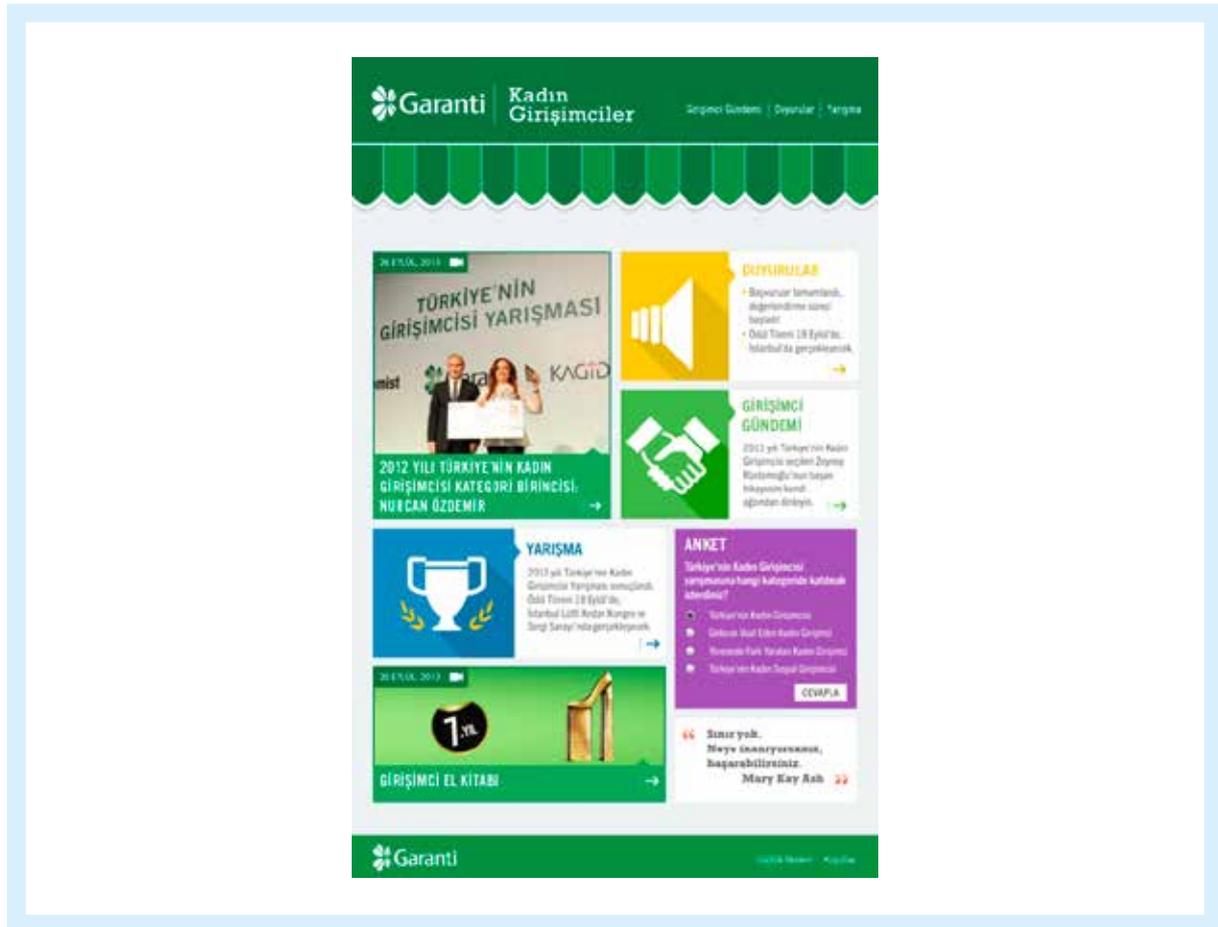
Women are a key focus for CSR, with the program designed as a role model in combining a CSR program with business targets. A number of initiatives performed to date have been joint initiatives between the CSR and the SME Banking teams. This includes, for example, the Boğaziçi University Mini-MBA program discussed above, which provides free entrepreneurial education for women. Thus far, the focus has been on women who already have businesses. Starting in 2014, the program will be expanded to include women who are not formally employed, with a heavy focus on financial education and IT literacy.

Garanti Bank has sponsored the International Women Entrepreneurship and Leadership Summit, organized by KAGIDER, since its inception. The 3rd summit, held November 8-9, 2012, focused on "The Rising Power of Women in the New World Order," attracting expert speakers and leaders from around the world.

The bank is very active on the Garanti Facebook page, using the tool to reach out to women on a range of issues. No financial institution in Europe has more Facebook followers (or "likes") than Garanti, according to the bank sources. The bank's page dedicated to WEs (Figure 16) addresses innovations in Turkish commercial law, angel investing, financial and economic news, SMEs, and more.

<sup>6</sup> Under the Technical Assistance of the World Bank, KAGIDER (the Women Entrepreneurs Association of Turkey) has been developing the Gender Equality Model for Turkey since 2010. The Turkish version of the model (FEM) focuses on equal opportunities in the work place. The objective of the certification under this program is to help the private sector focus on key elements integral to promoting gender equality in the workplace, marketplace and community. The project also aspires to promote gender equality in employment and earnings, enhance the productivity of women in the Turkish labor force and promote equal opportunity procedures in the business world.

Figure 16: Garanti's Facebook Page Dedicated to Women Entrepreneurs



Source: Garanti Bank, Competition Web Site 2013

## H) PERFORMANCE OF WOMEN ENTREPRENEUR'S BUSINESSES TO DATE

As of September 2013, the Bank had 140,213 customers enrolled in the WE Program, representing just less than 10% (9.35%) of its SME customer base and \$900 million in outstanding cash loans.

Evidence from the data analytics team at Garanti supports the notion that women make profitable SME customers. Indeed, the difference in profitability is very strongly correlated with the size of entrepreneur, so that as a woman entrepreneur grows her business the value of that relationship grows significantly for the Bank also. This can be seen in Figure 17, which shows that the average profitability differential between average for SME and female entrepreneurs increases nearly six-fold between a medium versus a mass SME.

It is still not completely clear what the main drivers for this difference in profitability levels are, although variations in the level of efficiency or product usage are very telling of the fact that on average, WEs at Garanti consume more financial services (see Figure 17 below). The efficiency ratio represents an internally defined ratio, based around product usage across the ten main product groupings in the Bank. Anecdotal evidence collected by Garanti also suggests that women entrepreneurs work with two and very rarely three banks, and prefer to have one main banker to hold most of accounts and conduct the majority of the transactions. They also respond well as customers to a dedicated relationship management model, which allows them to deal with a single point of contact in the Bank. This appears to result in far higher wallet shares being maintained for women entrepreneurs, and by definition, higher profitability per relationship.



**Figure 17: Garanti: Customer Efficiency and Profitability: Women vs. SME**

	Women	SME
Efficiency Ratio	2.31	2.16
Medium	4.36	3.71
Small	3.29	2.93
Mass	1.91	1.74

	Women	SME
Av. Profit per SME	TL3,539	TL3,440
Medium	TL12,467	TL9,213
Small	TL3,706	TL3,165
Mass	TL1,512	TL1,427

Source: Garanti Bank, October 2013 (results of data analytics exercise)

A commonly held belief globally is that women entrepreneurs are generally a better credit risk than their male counterparts. This does not seem true for Garanti Bank, however. Indeed, discussions with credit analytics specialists at the bank confirmed that not only were there no appreciable differences in NPL rates between the two sexes

in the portfolio, but that the Bank's statistically developed risk assessment tools have been developed with no gender-related parameters. To the extent that Garanti today has a market representative portfolio of male and female entrepreneurs, we may assume that for the Turkish market at least, gender is not likely to be a major predictor of default.

## 6. CONCLUSIONS AND RECOMMENDATIONS FROM IFC

A. IFC acknowledges Garanti's pioneering efforts in the introduction and growth of the women entrepreneur banking segment within Turkey and the region more broadly. While other banks are beginning to offer similar products, Garanti Bank has acted as a role model for its peers and as such can take wider credit for the promotion of this segment.

The bank has made significant progress since 2006 in developing a viable proposition for women entrepreneurs in Turkey. **The fundamental strength of the bank's SME Banking business platform has allowed the Bank to tap effectively into the women entrepreneurs market in Turkey.**

B. Garanti Bank has understood the importance of moving beyond solely an access-to-finance view of the WE market to also providing encouragement and consultancy support for women entrepreneurs. This can be seen in the initiatives around Women Gatherings, and the new mini-MBA in conjunction with Boğaziçi University.

The WE business represents only a small portion of the bank's business, and a significant opportunity remains to achieve further scale in coming years. Greater emphasis needs to be placed on the profitability and sustainability of WE businesses, through improved analytics and CRM, to create a level of transparency in terms of performance. While there are social objectives related to the support of women entrepreneurs, it must remain a profitable business proposition, just like any other.

As the business scales up, there may be a need to embed specific targets for WEs into the network and assign dedicated staff to manage the sector. IFC has observed that other banks globally have adopted champion and ambassador roles in their networks. This may be worth considering, if it has not already been done.

C. The WE market in Turkey, like the SME market more broadly, has significant variability both in terms of current and potential value per customer to the bank. Going forward, there may be a need to create more scalable advisory platforms to support the educational needs of small and mass-segment WEs, perhaps through e-learning and webinars (which Garanti Bank is already looking into). Such steps should go hand-in-hand with greater tiering of the offering based on current and potential client value. **The risk is that the current model may not differentiate enough, particularly when it comes to non-financial advisory.**

D. Garanti Bank clearly has a strong sustainability framework. But as a large buyer of products and services in Turkey, **the bank has an opportunity to take a more supplier-inclusive, diversity-friendly approach to procurement across the Group.** This could include establishing a supplier diversity program that includes a core component to encourage women-owned SMEs as suppliers, contractors, and sub-contractors of goods and services along the Group's value chain. As this case study was preparing to go to print, Garanti Bank became the partner of WE Connect International, opening its doors to greater supplier diversity and inclusion.



T.C.  
Boğaziçi Üniversitesi  
YETERLİK BELGESİ

Çırdan Çilingirliği



Yükseköğretim Bakanlığı tarafından 2004 yılında çıkarılan 5070 sayılı "Yükseköğretim Kanunu" ile değiştirilen 5182 sayılı Kanunla değiştirilmiştir.  
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Yeterlilik belgesi, adayın yeterliliğini kanıtlayan belge olarak kabul edilir.  
Bu belgeyi alan adayın bu alanındaki yeterliliği kanıtlanmıştır.

Prof. Dr. Serpil Tamer  
Yeterlilik Komisyonu Başkanı

Signature  
Date

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**June 2016**