

## Phnom Penh Outcomes for Women and Enterprises in ASEAN

The Women and Enterprise: Driving Financial Inclusion and Investment Returns Conference took place in Phnom Penh, Cambodia on April 29-30, 2015; hosted by the National Bank of Cambodia under the auspices of the Shaping Inclusive Finance Transformations (SHIFT) in collaboration with UNCDF, the Department of Foreign Affairs and Trade of the Australian Government, and UNDP Cambodia.

Governments, banks, micro-credit institutions, universities and research organisations, civil society, international development organisations sent representatives who presented their views and shared their experience on the subject of women and enterprises;

Taking account of the fact that:

- i. There is an increasing recognition of the economic power of women in the global economy. This power is based on compelling evidence of the contribution of women as consumers, as workers and as owners and managers of business enterprises is significant as their purchasing decisions go a long way. Women produce a 'double dividend' by investing in family needs such as education and health. This promotes human development and raises the quality of growth.
- ii. The formation of the ASEAN Economic Community (AEC) will be a global game changer. With a combined market of over 600 million consumers, FDI in-flows greater than China, ASEAN is a natural location for the growth of women's employment and women owned enterprises.
- iii. Micro Small and Medium Enterprises (MSMEs), will be key drivers of inclusive growth within the AEC. They account for over 90% of business enterprises and the largest group of job providers within ASEAN. The region also boasts over 50% of the world's women owned MSMEs. Closing credit gaps and raising the financial sustainability of MSMEs overall and for women owned or centred enterprises in particular, will sharply increase overall productivity and growth while reducing poverty and vulnerability.

The conference noted:

- a. Building on equity and closing the credit gaps:** Opportunities to save and build up equity to invest in a business is a key driver for the growth of women's micro-enterprises. Access to credit remains the single biggest barrier to the growth of enterprises. According to the IFC, closing the credit gap would require some \$67 billion in the region to women owned enterprises alone out of a total credit gap of \$167.5 billion for all MSMEs in the East Asia and Pacific Region.
- b. Eliminating the missing middle:** Financial services only work when there are attempts to raise the overall credit worthiness of the SMEs and reduce the risk to lenders. Such perception of risk has contributed to a 'missing middle' in financing small businesses where banks cater to larger, more favoured clients while micro-finance institutions cater to individuals and micro-enterprises.
- c. Innovative models for SME financing are gaining traction globally:** New models are emerging that address the "missing middle", allowing financial institutions to better serve SMEs. These include innovative partnerships that drive down the cost of customer acquisition (value and supply-chain partnerships, affinity group marketing, etc.); use of big data to enable faster and more effective credit decisions (i.e. mobile phone histories, internet and social media data, payment and e-commerce transaction history and ratings, behavioural and psychometric data, and more), and raising new sources of capital through online and offline platforms to fill the SME finance gap.
- d. Risk sharing:** Financial institutions and governments can share the risks in helping MSMEs get access to and usage of finance. Loan guarantees, incubation during early stages of enterprise establish, mentoring during later stages related to business plans and regulatory compliance as well as marketing and related networks are ways to do this. Different types of investors, from angel and social to venture capital, can also share risk through the diversification of financing sources. This reduces the debt to equity ratios and, in the case of venture capital, provides management know-how.
- e. Harnessing the impact of technologies:** Technological advances will help to remove barriers to investment in MSMEs. Digital financial services are useful for making payments, and with the right regulations, also reduce the transaction costs of reaching new customers, especially time poor customers such as women. Tailored financial products should make it easier for customers to use financial services. Technology in the form of new energy sources or bio-technology in agriculture can also raise productivity and improve the enterprises' profitability and chances of attracting investment from non-bank institutions.

- f. **Going beyond technology to knowing women customers and constraints:** However efficient they might be, in lowering transaction costs, technology alone will not be enough to help sustain women-owned enterprises or to close the gender gap in the labour market. That requires an understanding of the needs of women customers and access to market information. They often prefer personal face-to-face contact with service providers, usually at their homes or in nearby convenient locations so they can balance home responsibilities with outside duties. There also need to be sensitivity to the fact that the growth of women entrepreneurship is limited by decades or even centuries of traditions and cultural constraints. Legal, security and transport and infrastructural deficits are other challenges.
- g. **Digital exchange networks:** Digital media and IT that can help empower women to share experiences and lobby for government and investor support is another way to foster MSMEs. They can help with sharing field knowledge and building networks such that *women are empowered to demand legal, regulatory and community-based provisions that cater to their own needs*. Flexible working hours and locations, security arrangements, personal contact with finance service providers, transport infrastructure and child care facilities all make it easier to close the gender gap in the workplace and to foster the growth of women MSMEs.

The conference accordingly recommends the following to ASEAN governments, development partners, financial service providers and enterprise associations:

1. The development of a **Collective Agenda for Action** to speed the growth of women enterprises through their usage of finance by mutually sharing the mechanisms mentioned above. Different groups of organisations and agencies can play a complementary part in this agenda based on their experience and comparative advantage.
2. **To ASEAN Governments and Intergovernmental Working Groups:**
  - a. That they develop national and regional programs and budgets for women enterprises and close the gender gap in the labour market. These actions should focus on removing cultural and regulatory barriers to women owned MSMEs. They should include ways to reduce credit risk for financial institutions, dispute settlement procedures, share networks and market information and build women friendly infrastructure for the labour market.
  - b. Create an ASEAN peer review process on women and enterprises where country experience can be shared and programs, targets and indicators be monitored annually.

**3. To Providers of Finance and Investment to MSMEs**

- a. Develop financial products and services targeted at women consumers and enterprises by understanding the constraints and preferences of such customers.
- b. Working with intermediaries, and trainers and mentors, to reduce credit risk and reach a wider range of lower income customers.
- c. Enter into partnerships with government to design pilot programs, such as in investment in social enterprises and life cycle businesses.
- d. Share successful case studies on inclusive finance models with governments and development partners through knowledge forums and events.

**4. To Development Partners**

Use the combined experience of multilateral and bilateral Development Partners in global and regional data and research, in-depth country knowledge and project design to:

- a. Provide insights into the institutional make up and regulatory structures needed to sustain the development of MSMEs. Establish a collective knowledge and solutions bank of know-how from which ASEAN governments, financial service providers, investors and enterprise associations can draw.
- b. Host along with different ASEAN governments, annual conferences such as this one in Phnom Penh to report on experience and, progress in women's usage of finance and MSME growth, in order to increase investment in financial inclusion in ASEAN.
- c. UNCDF through its SHIFT program should continue to facilitate this annual conference and the development of the knowledge/solutions exchange.

**The Conference further:**

- Welcomes the idea of a Collective Agenda for Action to speed up growth and improve the sustainability of women owned enterprises in ASEAN.
- Thanks that Royal Cambodian Government for hosting such a path-breaking conference at such an opportune time.
- Appreciates the continued support of the UNCDF, the Australian Government and other development partners for the actions set out above.