



# GENDER MAINSTREAMING IN THE MONGOLIAN FINANCIAL SECTOR AND GUIDELINES FOR DEVELOPING FEMINIZED FINANCIAL PRODUCTS

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# INTRODUCTION

This report defines gender-sensitive indicators for financial products and services offered by Mongolian financial institutions based on the financial sector's distinctive features and assesses the current suite of gender-inclusive financial products. This report focuses primarily on the banking and non-banking financial sectors as these makeup 91% of the entire financial sector, and their products are accessed widely throughout Mongolia. The report analyzes Mongolia's social and economic background and the banking and non-banking financial sector to assess the financial products.

Gender-inclusive indicators presented in this report are focused exclusively on the products of the financial institutions. While indicators, such as woman's representation in ownership and management and whether the institution has a gender policy, could be applied to determine the gender-inclusiveness of an organization, these were not taken into account.

Mongolia is committed to gender equality. The Law on Promotion of Gender Equality (LPGE), which promotes gender equality and sets obligations for government and other key actors in politics, employment and labor

relations, civil services, education, health care, and family relations, enshrines this commitment. This legislative commitment helped to embed gender strategies and leadership at the ministerial level; however, these strategies and commitments have not necessarily been structurally embedded into the private sector and, most importantly, the financial sector. Moreover, access to finance is the key challenge for women entrepreneurs, primarily those operating micro, small, and informal businesses.<sup>1</sup>

Mongolia's financial sector has been a leader and driver of sustainable finance for social progress, leveraging the finance sector's responsibility, reputation, innovation, and product and service offering to demonstrate that the financial sector can deliver on Mongolia's sustainability and social ambitions. The globally respected and hailed voluntary national sustainable finance initiative started in 2013, resulting in the Mongolian Sustainable Finance Principles, and subsequent green financing initiatives most aptly demonstrate this. The leadership and guidance of the Mongolian Sustainable Finance Association (MSFA) and its affiliate financial institutions and partners drive these principles.

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<sup>1</sup> "COVID-19 Impact Assessment on Micro and Small-scale women business enterprises in Mongolia", The Asia Foundation, 2021.

The Mongolian financial sector has proven its ability to embrace innovation and address critical emerging issues. It is in a unique position to mainstream gender equality through the design and adoption of gender strategies, products, internal policies, and building the capacity of relevant financial institution staff. Fortunately, gender finance is a growing field. There is innovation, good practices, and initiatives at financial institutions worldwide that catalyze finance as a tool for gender equality and advancing women's economic power and potential. Bringing elements of global best practices and making that practice uniquely Mongolian will help create buy-in, build a more stable economy and financial system, and support women's innovation, creativity, and ingenuity as business leaders and market actors while supporting the continued economic prosperity of the Mongolian financial sector.

This is an independent report managed by The Asia Foundation Mongolia. The contents of this report should not be construed as reflecting the views of The Asia Foundation or our funders.

*Definition of gender terms in the context of this study:*

**Gender-sensitive:** Aim of understanding and taking account of the societal and cultural factors involved in gender-based exclusion and discrimination<sup>2</sup>

**Gender-sensitive indicator:** Qualitative and quantitative figures and indicators that measures gender-related changes over time.

**Gender Lens Investing (GLI):** An impact investment strategy that deliberately integrates gender analysis into investment analysis and decision-making to advance gender equality and better inform investment decisions<sup>3</sup>.

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<sup>2</sup> Thesaurus, European Institute for Gender Equality

<sup>3</sup> "Gender Lens Investing" Article, KPMG, 2021, Available from the link: <https://home.kpmg/xx/en/home/insights/2021/03/gender-lens-investing.html>



# GENDER INDICATORS IN SOCIAL AND ECONOMIC CONTEXT

This section includes a summary of statistics indicating gender equality in Mongolia. Indicators such as asset ownership, employment, wage level, and the number of small-medium enterprises may be vital in understanding the current status of gender-inclusiveness of financial products.

## 2.1. Population and households

Among Mongolia’s population of 3.3 million, 51% are women, and 49% are men, suggesting an equal contribution to Mongolia’s economy. While 9.5% of total households are male or female-headed households, female-headed households outnumber male-headed households by 4.3 times. Both male and female-headed households have been decreasing by 2-6% annually (CAGR) since 2016.

Figure 1. Female-headed households (thousands)

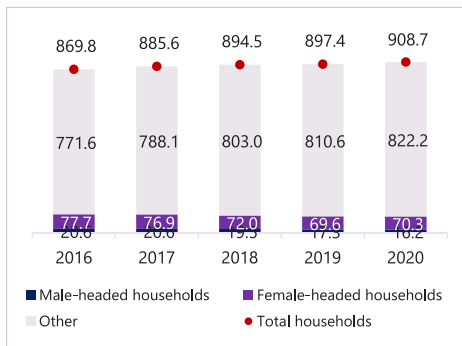
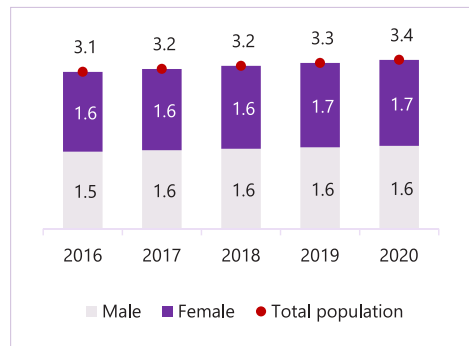


Figure 2. Population, by gender (million)



Source: National Statistics Office

## 2.2. Asset ownership

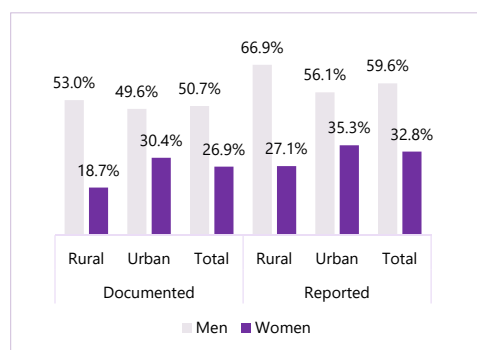
A pilot survey on women’s asset ownership was conducted in 2018 by the Asian Development Bank and the National Statistics Office of Mongolia. A total of 5,592 respondents participated in the survey. Characteristics of the respondents are listed below in Table 1.

**Table 1. Characteristics of respondents**

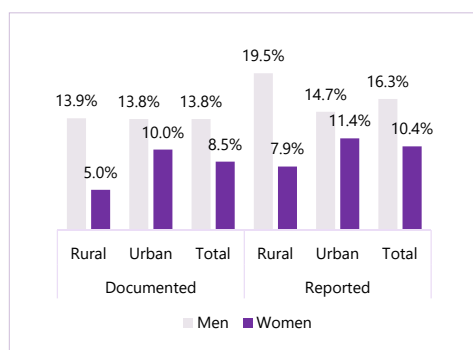
| Gender |       | Residence |       | Average age |
|--------|-------|-----------|-------|-------------|
| Male   | 44.5% | Urban     | 62.5% | 42          |
| Female | 55.5% | Rural     | 37.5% |             |

The survey results indicated only 33% of women own dwellings such as apartments compared to 60% of men, 1.8 times less than men. During an attempt to certify verify women’s reported ownership, the percentage fell to 27%. Only 10% of women own other forms of real estate (residential and nonresidential buildings excluding dwellings and nonagricultural land), 6% lower than men.

**Figure 3. Dwelling ownership**



**Figure 4. Other real estate ownership**



Source: *Measuring Asset Ownership and Entrepreneurship from a Gender Perspective - Methodology and Results of Pilot Surveys in Georgia, Mongolia, and the Philippines*, Asian Development Bank

According to the data, there is a significant gap between men’s and women’s asset ownership, which is the underlying issue behind why women are under-financed compared to men.

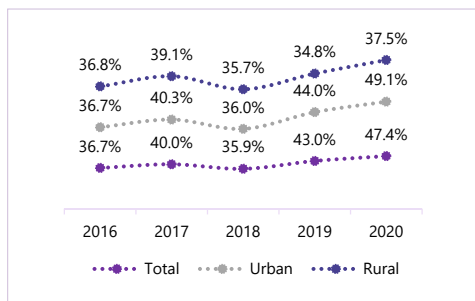
### 2.3. Employment and wage level

Women are slightly behind men within the workforce, with female workers making 47% of the total workforce. The labor participation rate for women is 51.9% which is 13.7% lower than for men. On the other hand, the proportion of women in management roles is almost equal to men, with women accounting for 49% of managerial roles in urban areas. But for the higher management roles such as director or CEO, only 37.2% are women<sup>4</sup>.

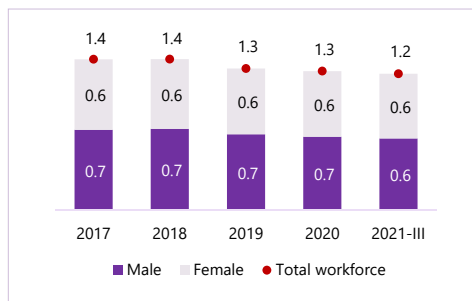
<sup>4</sup> Enterprises Census 2021, NSO



**Figure 5. Percentage of women in management roles**



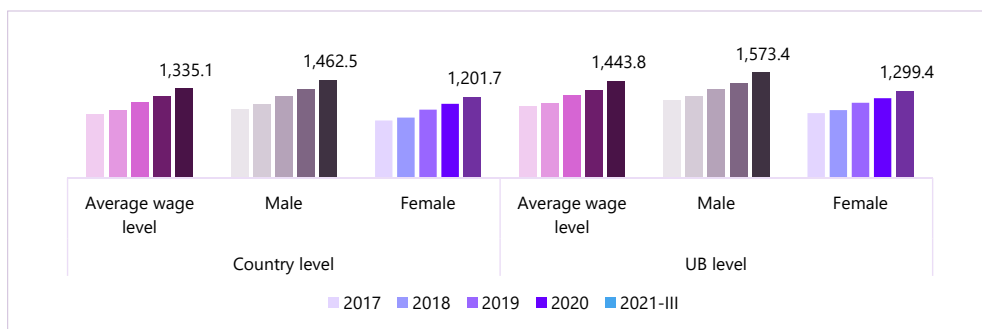
**Figure 6. Workforce, by gender (million)**



Source: National Statistics Office

As for wage level, women receive 18% less salary than men. The gap between wage levels has been increasing for the past five years. For instance, in 2017, women received 16% less.

**Figure 7. Average monthly wage (MNT thousands)**



Source: National Statistics Office

With women in Mongolia being less employed and less paid, the capacity of women to receive adequate financial services could be presumed low compared to men.

## 2.4. Small-medium sized enterprises

Women own two-thirds of SMEs operating in Mongolia and constantly face funding challenges<sup>5</sup>. It is essential to understand the current state of SMEs in Mongolia. As of 2020, 63,131 SMEs account for 67% of total legal entities registered at the State Registration Authority, of which 42,929 or 68% are women-owned entities. By sector, 34% operate in the wholesale industry, 22% in the service industry, 19% in the retail industry, and the remaining in other industries.

<sup>5</sup> Press release, Xac Bank, Available from the link: <https://www.xacbank.mn/article/khasbank-jijig-dund-biznes-erkhlegchded-eeltei-bankaar-shalgarlaa>

Figure 8. Number of SMEs

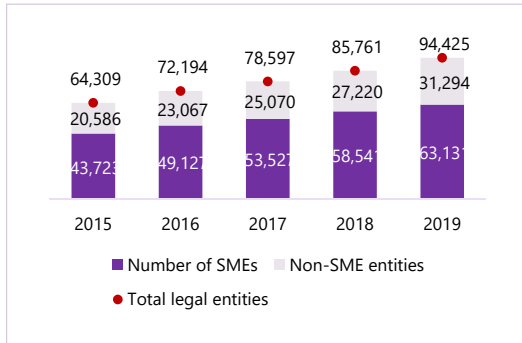
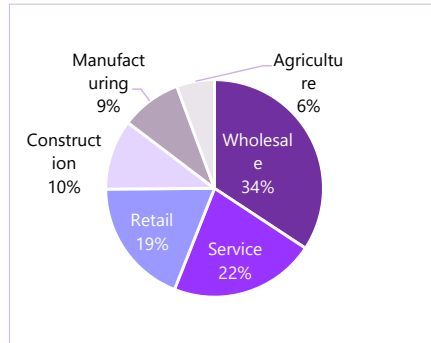


Figure 9. SME by sector, 2019



Source: National Statistics Office

According to the Law of Mongolia on Supporting Small and Medium Enterprises and Services, legal entities with employees of up to 200 and sales revenue up to MNT 2.5 billion are considered small, medium enterprises. As of 2019, 88% of SMEs have revenue less than MNT 300 million. However, these small enterprises employ the most among SMEs, as shown in Figure 11. Total employees of SMEs account for 27% of the total workforce.

Figure 10. Number of employees, 2019 (in thousands)

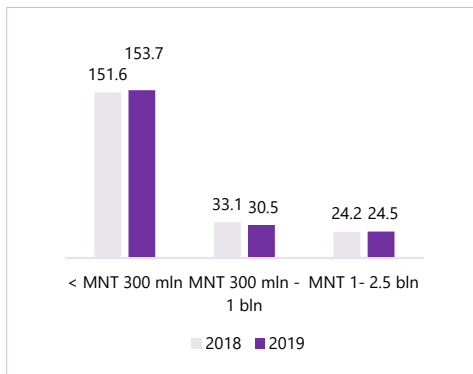
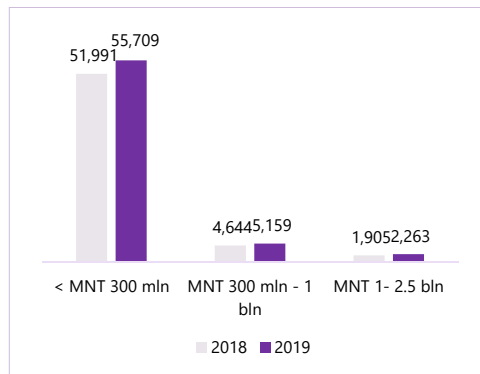


Figure 11. Number of SMEs by sales revenue, 2019





## FINANCIAL ACCESS FOR WOMEN<sup>6</sup>

According to Findex data from 2017, 95% of women in Mongolia have an account at a financial institution.<sup>7</sup> Therefore, primary account usage is high. Women are also more likely to save than men in Mongolia, and they take out more loans, but for lesser amounts than their male counterparts.<sup>8</sup>

Women's loan sizes are smaller, the processing time is longer, there are more rejections, and women receive higher interest rates than men<sup>9</sup>. A 2014 IFC Study found that while men most often get loan amounts of more than MNT 40 million, most women entrepreneurs get loans of less than MNT 20 million, or two times less than men. Moreover, SMEs perceive lending procedures at banks as cumbersome and time-consuming, with 26% of men-owned and 38% of women-owned enterprises complaining about it in a demand survey. Regarding interest rates, the study found that a higher share of the men-owned business (23%) received loans with 0.5-1.5% monthly interest rates compared to women-owned businesses (18%). Moreover, according to a recent statistic from the Bank of Mongolia

on SME loans, women-owned businesses obtained on average 58.6 million MNT, with an annual interest of 15.5%, while male-owned businesses obtained on average 106.7 million MNT, with an annual interest of 13.8%<sup>10</sup>. Women get higher interest rates as they get smaller loan amounts that are typically more expensive to administer; therefore, they are regarded as riskier than men<sup>11</sup>.

Just as important as financial services are the financial education and non-financial services that women need to be able to manage their money, plan for their future, and manage and grow their businesses.

Women tend to run microenterprises that accommodate their caretaking duties (e.g., lack of daycare, lack of after-school programming, taking care of elders) and are considered household enterprises. Despite their micro-level entry point, women's desire to grow their businesses is significant but potentially slow, as they often take calculated and educated risks.

<sup>6</sup> Integration of Gender Responsive Financing Practices: A Baseline Study of Gender Mainstreaming in the Mongolia Financial Sector, 2021

<sup>7</sup> Findex 2017. The average for lower middle income countries, where Mongolia qualifies is 52% and in East Asia and Pacific, 71% of women have bank accounts

<sup>8</sup> National Statistics Office, 2020.

<sup>9</sup> Gender Action Plan for FP153: Mongolia Green Finance Corporation, Green Climate Fund, 2020

<sup>10</sup> Bank of Mongolia statistic on SME loan, 2022

<sup>11</sup> SMEs and Women-owned SMEs in Mongolia, Market Research Study, IFC, 2014

Despite Mongolian women being more educated than men, they face barriers to fulfilling their potential. They encounter long-standing and prevailing traditional views about women, which contributes to lower levels of access to finance and workplace disadvantages.<sup>12</sup>

### *Lack of Access to Finance*

The credit gap in Mongolia was estimated in 2014 to be USD 5 billion; women-owned SMEs are estimated to make up 25% of that gap.<sup>13</sup> While women individuals have complete access to bank accounts,<sup>14</sup> national data indicates that women's loan sizes are smaller than men's. Women hold 57% of the number of loans but only 43% of the amount.<sup>15</sup> Women in Mongolia have difficulty accessing finance for various reasons. Still, because they often do not have named ownership of assets, this is especially true for loans requiring collateral.

Women own 68% of SMEs<sup>16</sup> (that number may be even higher because of informal micro-enterprises). And yet, when it comes to financing, their businesses are underserved: 70% of women-led SMEs are not served or underserved, representing 25% of the total credit gap in Mongolia<sup>17</sup>. Lending is limited for smaller businesses, as bank requirements are challenging to meet, and few alternatives exist.<sup>18</sup>

Financing this gap would improve women-led businesses and the Mongolian economy.<sup>19</sup>

### *Workplace Disadvantages*

In general, both anecdotal evidence and substantive evidence indicate that Mongolian women encounter a range of challenges relating to work, including but not limited to:

- Lack of opportunity and negotiating power in the labor market;
- Engaging in unpaid or informal work;
- Gender-based discrimination; and
- Harassment or gender-based violence at home or in the workplace.

In general, women are under-represented in the workforce: only 52% of women work (compared to 67% of men.<sup>20</sup> Fewer women than men work because women need flexibility for home responsibilities:<sup>21</sup> Twenty percent of women are out of the workforce because of childcare responsibilities; this is true for 2% of men.<sup>22</sup> UN Women notes that women spend nearly three times as much time as men on unpaid care household duties.<sup>23</sup> Women make up more than half of most bank employees in the financial sector but don't ascend to the C-suite and are under-represented on boards.<sup>24</sup>

<sup>12</sup> More information in the case for gender mainstreaming can be found in Annex 1

<sup>13</sup> IFC. SMEs and Women-owned SMEs in Mongolia. 2014.

<sup>14</sup> World Bank. Findex Data. 2017.

<sup>15</sup> National Statistics Office. 2020.

<sup>16</sup> SME Agency, MOFALI. 2021

<sup>17</sup> IFC. SMEs and Women-owned SMEs in Mongolia.

<sup>18</sup> The Asia Foundation. Brief Analysis on the Political Economy of Supporting Women Entrepreneurs in Mongolia. 2021.

<sup>19</sup> Goldman Sachs. Giving Credit Where it is Due: How Closing the Credit Gap for women-owned SMEs can drive Global Growth. 2014.

<sup>20</sup> National Statistics Office of Mongolia. 2020 ([http://www.1212.mn/stat.aspx?LIST\\_ID=976\\_L04](http://www.1212.mn/stat.aspx?LIST_ID=976_L04))

<sup>21</sup> EBRD. "Gender Statistics Assessment on Entrepreneurship." 2020. Stakeholder Interviews

<sup>22</sup> National Statistics Office of Mongolia. 2020

<sup>23</sup> <https://data.unwomen.org/country/mongolia>

<sup>24</sup> MSFA survey of 11 banks in 2020 indicates that women represent 29% of those in the C-Suite and 32% of boards.

### 3.1 Common constraints for access to finance

The typical constraints to providing adequate financial services accessible to women MSMEs are listed below in detail.

#### 3.1.1 Financial products and services related:

- ***Inability to meet collateral requirements*** - One of the significant challenges, particularly to individual women customers starting or expanding their businesses or microenterprises, is their inability to meet collateral requirements as they do not own land or property. There is a social norm or tendency to register assets and properties under male household members. According to the Asia Foundation's assessment, 41% of the women entrepreneurs identified collateral requirements as the biggest challenge to accessing a loan<sup>25</sup>.
- ***Inability to obtain loans without a partner (urge to have a family)*** - When obtaining loans from FIs, often women are asked to obtain a husband or partner's name as a co-lender in their loan application. This requirement creates potential challenges for all women applicants, particularly single or divorced women, to start their businesses and secure funding from FIs.
- ***Perception of women as high-risk borrowers*** - Lack of collateral, credit history and formal business registration, and lack of liquidity and available capital compel banks to charge high-interest rates to women small business owners. The Asia Foundation's study found that high-interest rates are the primary burden for 51% of women entrepreneurs. Women's credit history and capacity for repayment in microfinance are not well registered in the credit bureaus and public offices for recognition by formal FIs.
- ***Constraints to transitioning from MFIs to formal FIs*** - Compared with microloans offered by microfinance institutions, formal FI loans for MSMEs demand stricter loan application requirements, adopt more cumbersome application procedures and require higher financial literacy. These requirements make it difficult for first-time women borrowers and women-owned informal micro-business to grow into small enterprises. Women's "risk-averse" nature also discourages application for larger, formal loans.
- ***Women's financial needs outside of MSME loans*** - Given their time and mobility constraints, women prefer getting a range of services from the same service provider rather than accessing different services from multiple providers. Simply providing funds will not attract women MSMEs. Other services, such as savings, microinsurance, and pension payments, are demanded by women.

<sup>25</sup> COVID-19 Impact Assessment on Micro and Small-scale women business enterprises in Mongolia", The Asia Foundation, 2021.

## 3.1.2 Service outreach and marketing related:

- **Time and mobility constraints** - In many instances, women's household responsibilities limit the time women can spend on running enterprises and securing finance. Cultural constraints to women's mobility are still widespread. Group meetings and financial transactions at branches of FIs require time and mobility that women often do not have.
- **Low education and financial literacy** – This is an issue, mainly when targeting low-income and rural women. Women entrepreneurs are likely to be risk-averse in expanding their businesses and often lack self-motivation and confidence.
- **Lack of gendered client and market research** – Women MSME loan clients are likely to have very different needs and demands for FI services. However, FIs rarely conduct gender-differentiated client needs assessments to develop gender-specific marketing strategies.

## 3.1.3 FIs staff attitude and Corporate culture related:

1. **Staff attitude and gender awareness** – Attitudes of FI staff and their level of gender awareness influence the willingness of potential and current women clients to approach FIs for their services. For women, confidentiality is an essential attribute of the FI service providers. The use of gender-biased language and attitudes also discourage women clients. In the Asia Foundation's assessment<sup>26</sup>, 8% of the women-owned micro and small businesses reported gender-based discrimination from FIs when they applied for a loan.
2. **Gender-equal corporate policy** – FIs' poor corporate practice of gender equality for their staff and gender-discriminatory corporate culture may influence how they approach their female clients.

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<sup>26</sup> Covid-19 Impact Assessment on Micro and Small-scale Women Business Enterprises in Mongolia, The Asia Foundation, 2021.

# 4

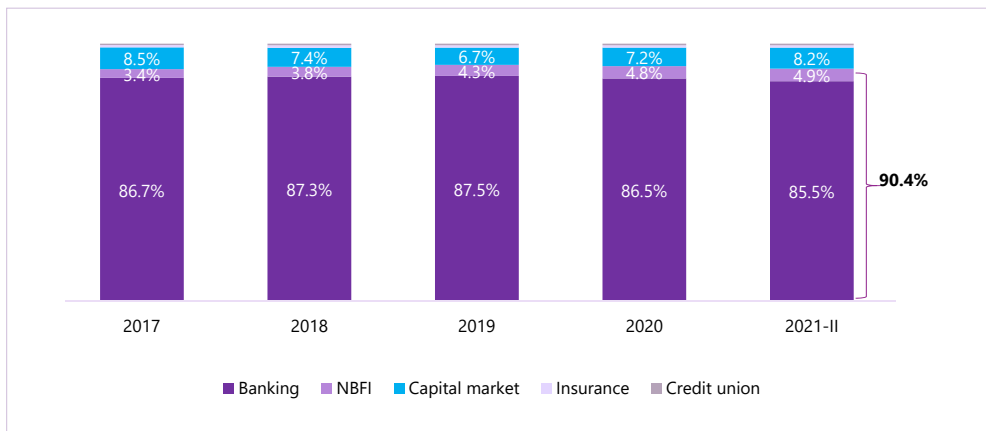
## MONGOLIAN FINANCIAL SECTOR OVERVIEW

This section presents a general overview of the banking and non-banking sectors to understand their distinctive features.

### 4.1. Financial sector

The financial sector of Mongolia is dominated by banking and non-banking financial institutions (NBFIs), as shown in Figure 12. Due to its significance, banking and non-banking sectors are further studied in this report.

Figure 12. Financial sector breakdown

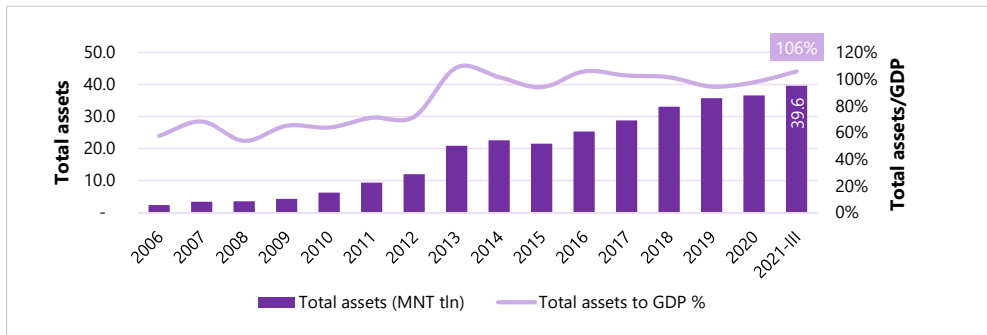


Source: Bank of Mongolia, Financial Regulatory Commission

### 4.2. Banking sector

The banking sector has shown stable growth for decades, playing a critical role in Mongolia's economic growth. As of 2021Q3, the banking sector assets made up 106% of the total GDP. However, in developing countries such as China, the total assets to GDP ratio averages 336%, indicating strong growth potential for the sector.

Figure 13. Banking sector asset to GDP



Source: National Statistics Office, Bank of Mongolia

As of 2021Q3, the banking sector reported a total loan of MNT 20.0 trillion, showing 17% growth compared to 2020, indicating recovery from economic difficulties derived from COVID-19. The loan portfolio is equally distributed among retail and corporate clients, as shown in Figure 14 below.

Figure 14. Total loan breakdown, by customer type

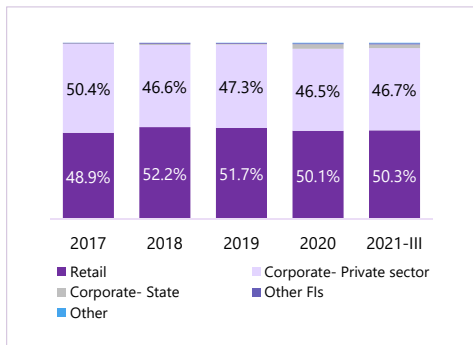
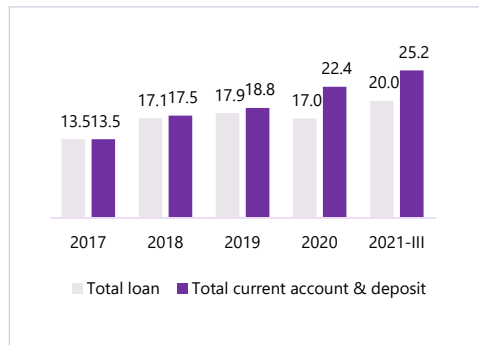


Figure 15. Total loan vs. Total current account and deposit (MNT tln)



Source: Bank of Mongolia

#### 4.2.1 SME loans

As of 2021Q3, SME loans accounted for only 29% of total loans, which further proves that SMEs are indeed under-financed, which could further prove that women are under-financed. On the brighter side, SME loans grew at an annual average rate of 23% since 2017. According to the Bank of Mongolia, insufficient collateral, high business risk, and past due or NPL information on the Credit Information Bureau are cited for rejecting SME loan applicants.



Figure 16. Reasons why loan application was rejection (SME)

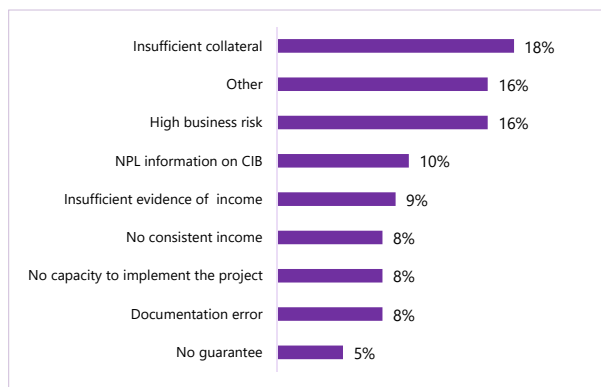
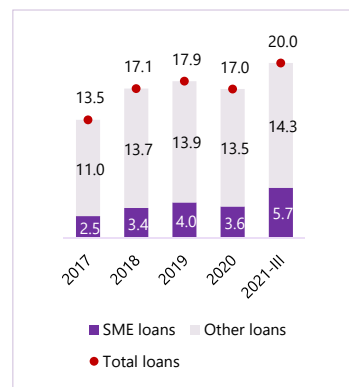


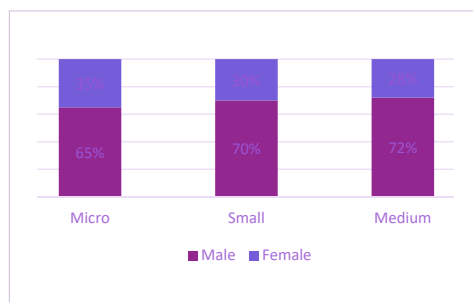
Figure 17. SME loan (MNT tln)



Source: Bank of Mongolia

According to the Bank of Mongolia, in 2020, SME loans totaling 22.8 billion MNT were granted, of which 9.4 billion MNT (41%) went to women-owned SMEs.<sup>27</sup> Regarding loan size and interest rate, there is a gap between male and female-owned SMEs: male lenders obtained on average 106.7 million MNT, with an annual interest of 13.8%, while female lenders obtained on average 58.6 million MNT, with an annual interest of 15.5%. Regarding outstanding loans, male-owned SMEs are 64%, and female-owned SMEs are 36%, implying that women-owned SMEs' payback rates are better than men's.

Figure 18. Ownership of SMEs accessed to loan, by gender



Source: Bank of Mongolia

#### 4.2.2 Systemically important banks

According to Decree A-105 of the Governor of the Bank of Mongolia, Khan Bank, Trade and Development Bank, Golomt Bank, State Bank, and Xac Bank were resolved as the systemically important banks ("SIBs") of Mongolia due to their contribution to the banking sector, in terms of the number of clients, deposit volume, loan volume, and asset size. As of 2021Q3, the SIBs accounted for 94% of the sector's total assets and 96% of the sector's total loans.

<sup>27</sup> Bank of Mongolia

Figure 19. Percentage of SIBs in banking sector, in asset size

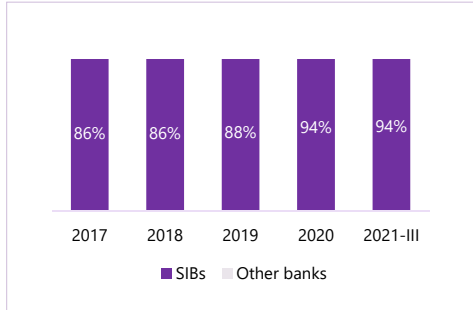
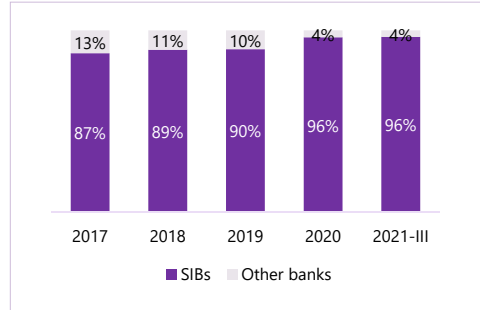


Figure 20. Percentage of SIBs in banking sector, in loan portfolio



Source: Bank of Mongolia, Bank financial statements

Due to their significance, the products and services of SIBs are studied thoroughly to determine the level of gender-inclusive financial products available in the market.

### 4.3. Non-banking financial institutions

The non-banking financial institutions (NBFIs) are the next largest lender, accounting for 4.9% of the financial sector. As of 2021Q3, 531 NBFIs are operating with a total asset of MNT 2.5 trillion and a total loan portfolio of MNT 1.6 trillion. NBFIs are growing at a healthy rate, partly due to the Financial Regulatory Commission’s requirement to increase the share capital to MNT 2.5 billion and the introduction of digital lending. Despite COVID-19 circumstances, the loan portfolio grew in 2020 and boasted 31% growth in 2021Q3.

Figure 21. Net loan (MNT bln)

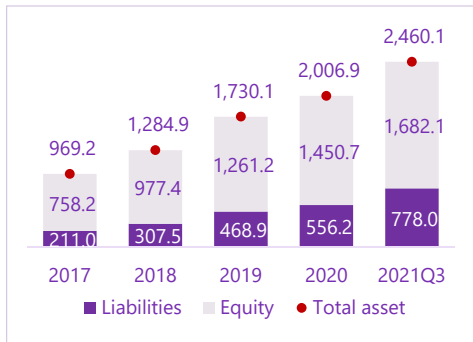
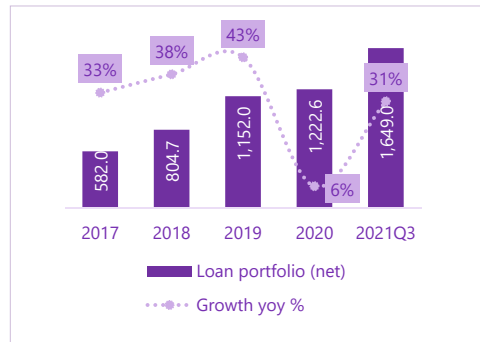


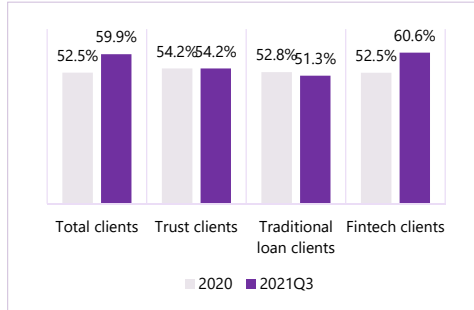
Figure 22. NBF sector, asset breakdown (MNT bln)



Source: Bank of Mongolia, Bank financial statements

Most (87%) of all loans are retail loans, indicating high concentration and dependence on individual clients. As for the number of clients, the proportion of male and female clients is equal, with women increasing in 2021Q3.

**Figure 23. Percentage of women in total clients, by service**



**Figure 24. Loan portfolio by type**

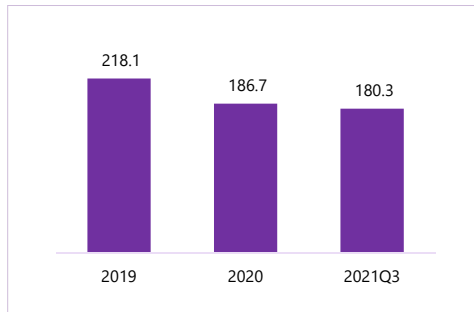


Source: Financial Regulatory Commission

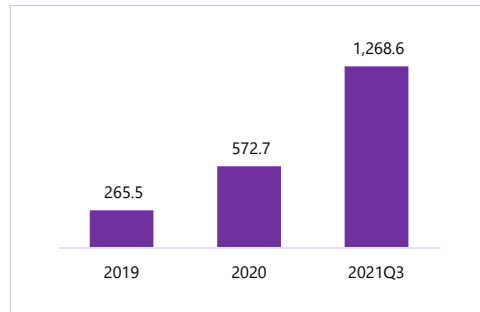
### 4.3.1 Digital loan

Since 2018, digital lending has taken its toll on NBFIs and contributed to the sector’s significant growth. With the introduction of mobile applications that provide fast-cash lending, the total number of borrowers of NBFIs rose 14.5 times from 107,442 in 2017 to 1,562,757 in 2021Q3<sup>28</sup>. The digital loan amount was MNT 180.3 billion in 2021Q3, and the number of borrowers was 1.3 million, or 81% of the total NBFi borrowers.

**Figure 25. Number of clients, fintech, in thousands**



**Figure 26. Digital loan (Fintech) amount (MNT bln)**



Source: Financial Regulatory Commission

As of 2021Q3, 24 NBFIs are actively operating digital lending platforms and seven are in the preparation phase. Introduced in early 2018, the LendMN app is the pioneer in this segment. The largest digital lender is by far the Simple app by the Ashid Capital LLC of the MCS Group.

<sup>28</sup> 2017 and 2021Q3 NBFi Statistics, Financial Regulatory Commission

**Table 2. Digital apps available in the market**

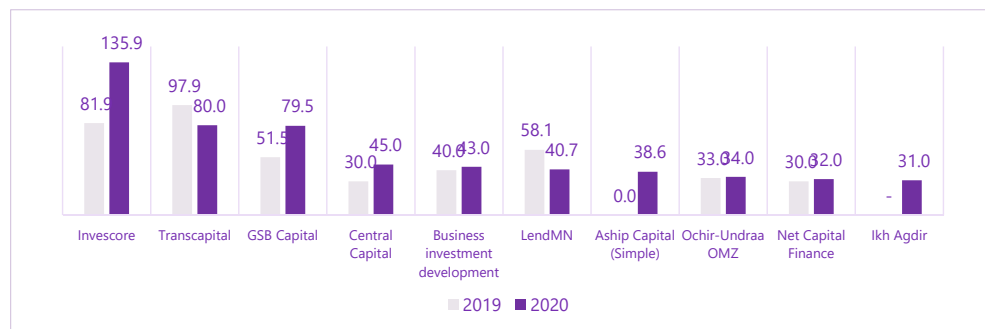
| No. | NBFI name            | App name      | No. | NBFI name               | App name     |
|-----|----------------------|---------------|-----|-------------------------|--------------|
| 1   | Ashid Capital        | simple        | 13  | Omni Capital            | Moni digital |
| 2   | LendMN               | lendmn        | 14  | BID                     | BID          |
| 3   | Sono Fintech         | Sono Mongolia | 15  | T-Finance               | T-finance    |
| 4   | Mobifinance          | Monpay        | 16  | Gyals Credit            | Sendly       |
| 5   | Smartcapital Fund    | Mycredit.mn   | 17  | ZeelMN Platform         | zeel.mn      |
| 6   | Invescore Wallet     | pocket        | 18  | GSB Capital             | GSB capital  |
| 7   | Central Capital      | kmobi         | 19  | Netcapital              | Net app mn   |
| 8   | Nano Capital         | Nano capital  | 20  | Mongolia Impact Finance | qmoni        |
| 9   | Ard Credit           | ard app       | 21  | Xac Khan                | Xac khaan    |
| 10  | Numur Credit         | numur         | 22  | Ochir Undraa OMZ        | Opay         |
| 11  | Gobifinance          | Cash one      | 23  | Solongo Capital         | 100k.mn      |
| 12  | Khatan Suudal Invest | zeely         | 24  | MPSS                    | Toki         |

The belief is that digital financial services tend to be more gender-inclusive due to their automated decision-making and easiness.<sup>29</sup>

### 4.3.2 Top-10 NBFIs

Due to market saturation, Top-10 NBFIs in assets account for only 23% of the total NBFI sector. Due to the share capital requirement, NBFIs are actively growing their equity size, which results in most NBFIs being similar in size.

**Figure 27. Top-10 NBFIs, Asset size (MNT bln)**



Source: NBFI financial statements, NBFI Association of Mongolia

<sup>29</sup> Closing the Gender Gap in Financial Inclusion through Fintech, Policy brief, ADB Institute, Available from the link: <https://www.adb.org/sites/default/files/publication/498956/adbi-pb2019-3.pdf>

### 4.3.3 Savings and credit cooperatives

A savings and credit cooperative (SCC) is a legal entity established by several persons voluntarily within a democratic collective with joint management and control to operate based on common property to meet their economic, social, and cultural needs. Savings and credit cooperatives (SCCs) are not-for-profit organizations licensed by the Financial Regulatory Commission (FRC).

According to FRC, there are close to 285 SCCs in Mongolia, with an asset size of about MNT 256 billion. SCCs have less than 0.5% share in Mongolia's financial sector regarding their asset size. They serve about 36,000 customers, and the majority (59.5%) of SCCs are in Ulaanbaatar. Like NBFIs, the FRC license, regulate, and supervise SCCs. The services provided by SCCs are loans (only to members), payment guarantees, currency exchange, remittances, factoring, leasing, short-term investment, trust funds, and electronic payments. By 2020, 4.4% of the SCC loans were classified as non-performing. According to the Mongolian Confederation of Credit Unions, most members of SCCs are women, but there is no sex-disaggregated data in their official reports or websites. Clients of SCC primarily work in the informal sector and cannot borrow at banks or NBFIs.

The Saving and Credit Cooperative must have at least 20 members, and members must be a citizen of Mongolia. Members must be a legally registered entity in compliance with the requirements of the cooperative's charter and the Law on SCCs.

Members of the Saving and Credit Cooperative shall meet at least one of the following requirements;

- colleagues in the same organization or engage in business in the same trade center in the same district;
- members of the same association or union-affiliated in similar activities, religious, social, cooperatives, work, job or education group and so on;
- live in the same aimag, district or city.

Family members and relatives can hold membership in the same Saving and Credit Cooperatives. In this case, they shall inform the Saving and Credit Cooperatives that they have a common interest in advance. Not more than 10% of the members can be legal entities. The Saving and Credit Cooperatives may take savings as a guarantee of the loan repayment if the member has any debt, or has not complied with liability partially or fully. In this case, members' transactions shall be limited to the amount equal to the member's liability.



## FINANCIAL PRODUCTS AND SERVICES OFFERED BY MONGOLIAN FIS

The gender-inclusiveness of the products and services of commercial banks and the Top-10 NBFIs were studied in this section, as these institutions account for 91% of Mongolia's financial sector.

### 5.1. Commercial banks

#### 5.1.1 Gender-related results from the Annual Sustainable Finance Implementation Assessment

The Mongolian Sustainable Finance Association ("MSFA") conducts an Annual Sustainable Finance Implementation Assessment among its member institutions. Within the gender part of the assessment, financial institutions are assessed under five key areas: (1) Gender policy and strategy, (2) Workforce, (3) Customers, (4) Products, and (5) Capacity building and reporting. The maximum score is 16. The gender evaluation scores of the commercial banks are summarized in Table 3 below.

**Table 3. Gender Evaluation Score of Commercial Banks**

|               | Gender policy and strategy (max. score: 4.0) | Workforce (3.75) | Customers (1.75) | Products (4.0) | Capacity building and reporting (2.5) | Total score (16.0) |
|---------------|--|------------------|------------------|----------------|---------------------------------------|--------------------|
| TDBM          | 2.5  | 3.75             | 1.75             | 2.0            | 2.0                                   | 12.00              |
| Khan Bank     | 1.5  | 3.25             | 1.75             | 2.0            | 1.5                                   | 10.00              |
| Xac Bank      | 3.0  | 3.25             | 1.75             | 2.5            | 1.0                                   | 11.50              |
| Golomt Bank   | 3.0  | 3.75             | 1.5              | 3.5            | 1.5                                   | 13.25              |
| State Bank    | 2.0  | 3.0              | 1.75             | 3.5            | 2.5                                   | 12.75              |
| Capitron Bank | 1.0  | 3.25             | 1.75             | 1.5            | 1                                     | 8.5                |
| Transbank     | 1.0  | 3.75             | 1.75             | 2.0            | 2.5                                   | 11.0               |
| Arig Bank     | 0.0  | 2.75             | 1.75             | 0.0            | 1.0                                   | 5.5                |
| Bogd Bank     | 2.0  | 3.75             | 1.75             | 3.5            | 2.0                                   | 13.0               |

Source: Annual Sustainable Finance Implementation Assessment, MSFA

Figure 28 Banks' performance in Gender

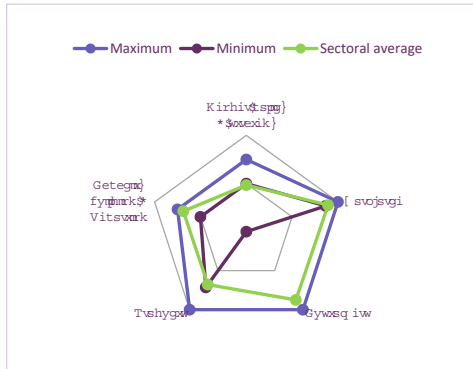
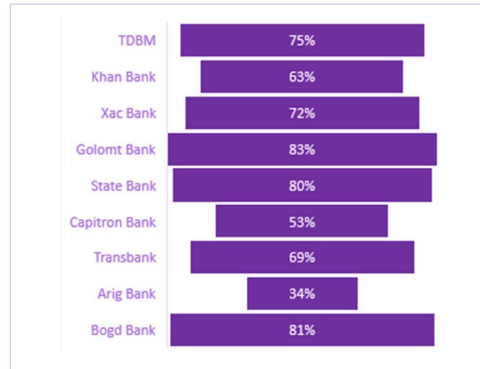


Figure 29 Banks' performance in Gender (by %)



Source: MSFA

Trade and Development Bank and Khan Bank's gender indicator is more robust in the workforce area but weaker in the products aspect, which suggests these banks should work on developing products towards gender equality.

Figure 30. Khan Bank Gender Evaluation Score

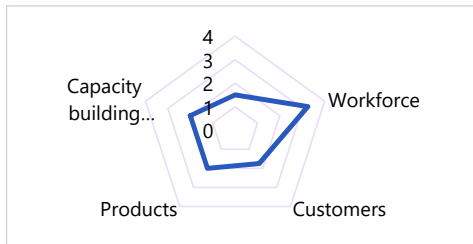
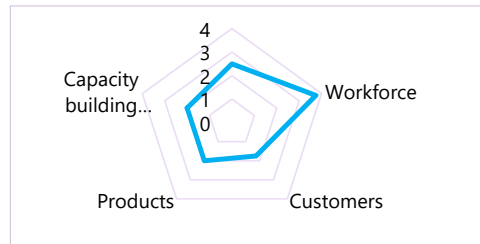


Figure 31. TDBM Gender Evaluation Score



While Xac Bank is more robust in the internal gender policy and strategy, and workforce, Golomt Bank is stronger in the products area. Both Xac Bank and Golomt Bank should enhance their capacity building and reporting aspects as per the evaluation results.

Figure 32. Golomt Bank Gender Evaluation Score

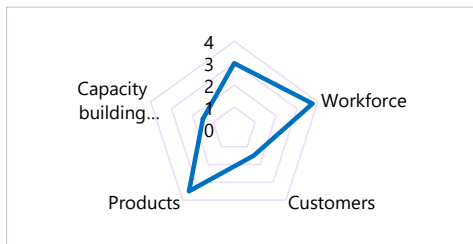
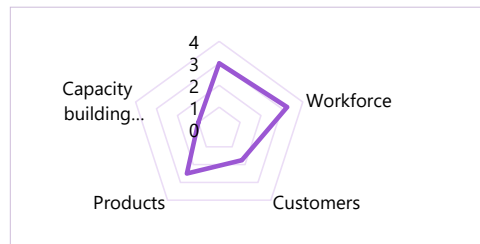


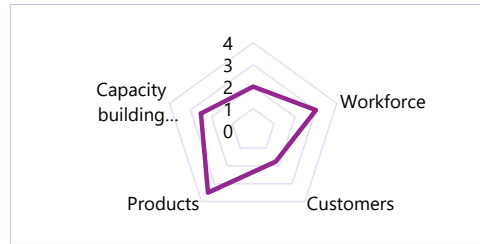
Figure 33. Xac Bank Gender Evaluation Score



Source: MSFA

As for the State Bank, the bank scored high in products and low in gender policy and strategy.

Figure 34. State Bank Gender Evaluation Score

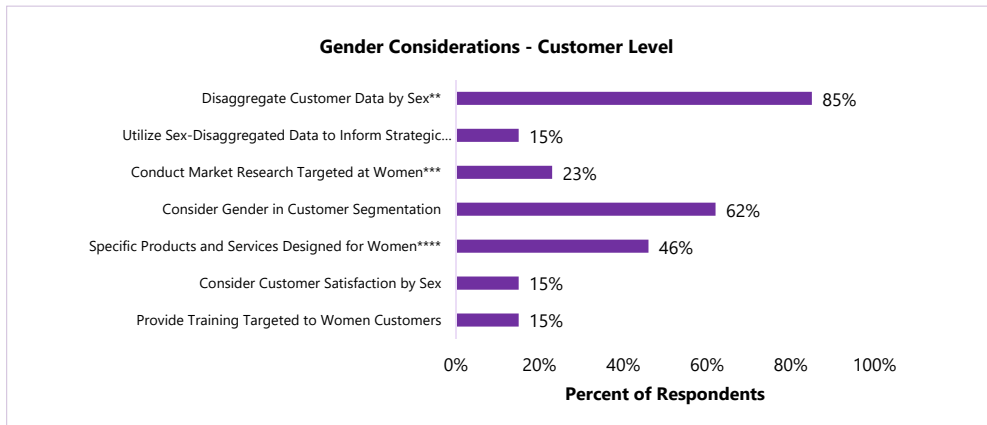


Source: MSFA

### 5.1.2 Gender Mainstreaming in Mongolia Baseline Study: Survey results

Eleven banks and 10 NBFIs, who are members of the MSFA, received an online survey related to the Gender Mainstreaming in Mongolia Baseline Study. Thirteen institutions responded to the survey, including seven commercial banks and 6 NBFIs. The survey included questions regarding gender considerations at the customer level, including if the bank provides non-financial services, such as trainings for female customers. Whether the bank collects and uses sex-disaggregated data and conducts market studies and customer satisfaction surveys, particularly for women, were other included indicators. The results show that 85% collect data by gender, but only 15% utilize such data. Moreover, only 15% of the respondents consider customer satisfaction by sex.

Figure 35. Gender Considerations - Customer level



Source: Integration of Gender Responsive Financing Practices: A Baseline Study of Gender Mainstreaming in the Mongolia Financial Sector

n=13

\*\* All banks collect and report data to the central bank. 67% of the NBFIs collect sex-disaggregated data.

\*\*\* 23% Regularly survey female clients or disaggregate market research surveys responses by sex. 15% have specifically looked for and identified barriers to women's financial access

\*\*\*\* Products specifically designed for women: Business loan for women-owned businesses (5), Card (2)



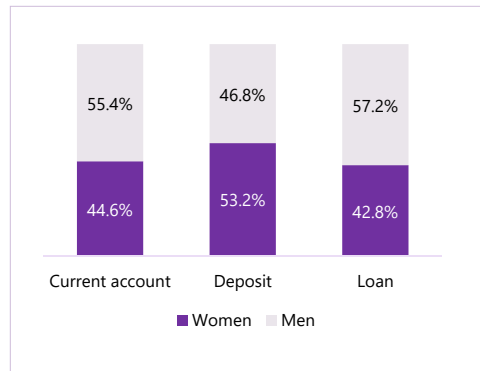
### 5.1.3 Retail products of the commercial banks

The Bank of Mongolia started publishing sex-disaggregated data in 2020 on the current retail account, deposits and loans. According to the data, although the proportion of men and women are relatively equal among account holders and borrowers, outstanding balance showcased a slightly different image, specifically for retail loan products. While women borrowers outnumber male borrowers, the outstanding loan balance of female borrowers (MNT 3.6 trillion) is 25% lower than male borrowers (MNT 4.8 trillion) as of 2020.

**Figure 36. Accountholders and borrowers by gender, 2020**



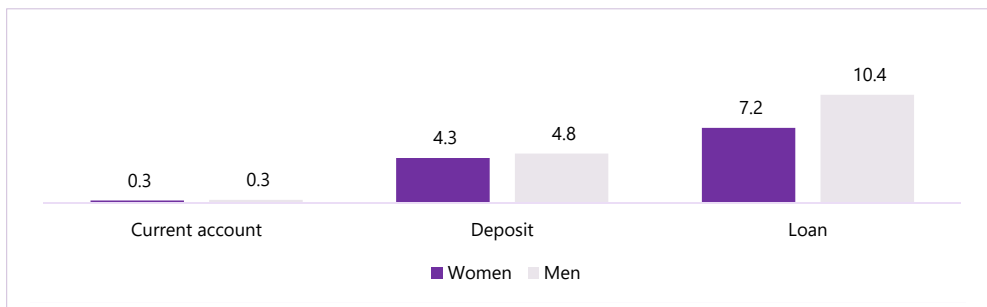
**Figure 37. Outstanding balance by gender, 2020**



Source: Bank of Mongolia

Moreover, the average size of female customers’ current account, deposit, and loan are lower than male customers. For instance, the average loan size per woman is 31% less than man.

**Figure 38. Average size per client (MNT mln), 2020**



Source: Bank of Mongolia

The data above could conclude that retail current accounts and deposits are relatively gender-inclusive, while retail loan products lean more towards men than women. The underlying reason might be that women are employed less, paid less, and own fewer assets, thus being riskier.

### 5.1.4 Corporate products

Although the central bank started publishing sex-disaggregated data on retail products, data on corporate products are still not readily available, which may be due to difficulty classifying corporates as male or female. MSFA’s Annual Sustainable Finance Implementation Assessment retrieves data from commercial banks to understand the gender equality of corporate products offered by commercial banks. However, there is a lack of gender-disaggregated data from SIBs, including quantitative indicators such as the number of borrowers, SME borrowers, and non-performing loans (NPLs) of the SIBs.

This report presents the results of SIBs as these banks account for 96% of the banking sector. The indicators of these banks could define the gender-inclusiveness of corporate products offered by the banking sector.

The results indicate a fair share of women and men in the corporate loan segment, excluding Golomt Bank as shown in Figure 41 below. The steep difference between Golomt Bank and others may relate to difficulties in categorizing a business as ‘female.’ Moreover, it is unclear whether the banks define corporate borrowers as female based on ownership, representation in management, or female employee proportion. As for SME loans, TDB, Golomt, and State Bank reported more women SME borrowers, while Khan had slightly more male borrowers. As for non-performing loans, female borrowers tend to be more high-quality than men, see Figure 39 below.

Figure 39. NPL balance by gender

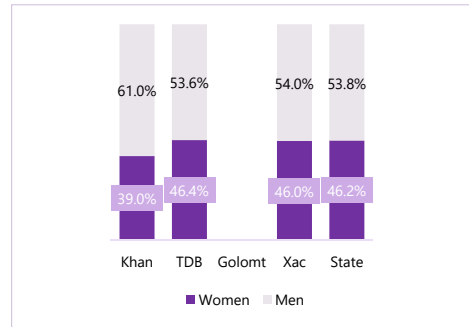


Figure 40. SME borrowers by gender

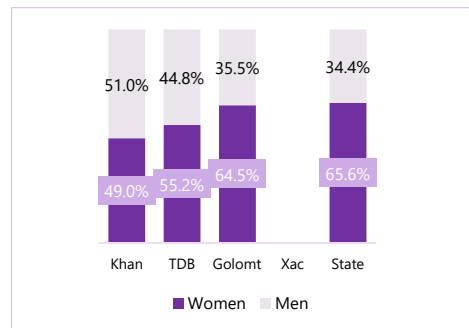
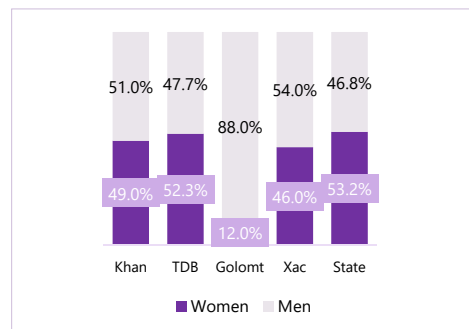


Figure 41. Corporate borrowers by gender



Source: MSFA

### 5.1.5 Loan products of the SIBs

The report studies the products and services of SIBs as the outstanding balance data for corporate products is unavailable.

Mongolia's banking sector introduced women's loan products in August 2020, meaning they are relatively new. As of 2021, 3 of the 5 SIBs provide loan products specifically designed for women. Apart from the SIBs, Bogd Bank also has a loan product for women entrepreneurs.

**Table 4. Corporate products of SIBs**

| Product type              | Khan | TDB | Golomt | Xac | State |
|---------------------------|------|-----|--------|-----|-------|
| Corporate                 |      |     |        |     |       |
| Working capital           | •    | •   | •      | •   | •     |
| Capex loan                | •    | •   | •      | •   | •     |
| IFI-funded project loan   | •    | •   | •      | •   | •     |
| Credit line               | •    | •   | •      | •   | •     |
| Employment promotion loan | •    | •   | •      |     | •     |
| Women entrepreneurs loan  |      | •   | •      |     | •     |
| OT supplier loan          | •    | •   | •      |     |       |

*Source: Official websites*

Table 5 below summarizes the key terms of loans for women entrepreneurs available in the market. Golomt bank, State bank, and Bogd bank are relatively similar, with Golomt Bank offering more soft terms on the collateral and the grace period. It is possible that Golomt bank has considered the collateral challenges of women entrepreneurs when developing this product. In addition, Golomt, State, and Bogd banks tend to offer this product for SMEs as the size is quite small compared to the banks' traditional loan products.

TDB provides the most significant and cheapest funding for women entrepreneurs, unlike these banks. This could be because TDB received a loan facility of USD 15 million from the International Investment Bank in October 2021. The 5-year-term facility will provide funding for TDB's two specialized programs to further enhance the country's sustainable development, namely, the Women Entrepreneurship Support Program and Green Loan Program.<sup>30</sup>

<sup>30</sup> Audit report 2021, International Investment Bank

**Table 5. Key terms of Women entrepreneur loans**

| Terms          | TDB                                 | Golomt  | State                     | Bogd                        |
|----------------|-------------------------------------|---|---------------------------|-----------------------------|
| Loan amount:   | < MNT 1 bln                         | < MNT 100 mln   | < MNT 50 mln              | < MNT 100 mln               |
| Interest rate: | 12%                                 | 12-15.6%  | 15.60%                    | 15.60%                      |
| Tenor:         | < 36 months                         | < 36 months   | < 24 months               | < 36 months                 |
| Collateral:    | Movable and immovable assets        | <ul style="list-style-type: none"> <li>• 1-12 months: Account inflow</li> <li>• 13-24 months: Equipment, inventory</li> <li>• 25-36 months: Movable and immovable assets</li> </ul> | n/a*                      | n/a*                        |
| Commission:    | Undisclosed                         | 0.50%   | 1%                        | 0.50%                       |
| Grace period:  | 12 months or up to 1/3 of the tenor | 12 months or up to 1/3 of the tenor   | Undisclosed               | 6 months                    |
| Launch date    | November 2021 <sup>31</sup>         | June 2021 <sup>32</sup>   | August 2020 <sup>33</sup> | December 2021 <sup>34</sup> |

Source: Official websites

\*Although collateral information is undisclosed in the general terms of the Women entrepreneur loan on the bank's website, documents related to collateral are listed in the required documents.

The criteria for obtaining a loan for women entrepreneurs are relatively similar among these banks, with slightly different shareholder requirements. Table 6 shows the general criteria placed on the loan applicants. Applicants can qualify for one or more of the criteria listed below.

Apart from financial products, Golomt bank provides trainings and networking sessions for women entrepreneurs in the frame of the Asia Foundation's Women's Economic Empowerment Project.

<sup>31</sup> Press release, Nov 2021, Trade and Development Bank, Available from the link: <https://tdbm.mn/mn/13447/news>

<sup>32</sup> Press release, Jun 2021, Golomt Bank, Available from the link: <https://www.golomtbank.com/news/20171>

<sup>33</sup> Press release, Aug 2021, State Bank of Mongolia, Available from the link: <https://www.statebank.mn/pages/workplace/2297>

<sup>34</sup> Press release, Dec 2021, Bogd Bank, Available from the link: <https://www.facebook.com/BogdBankMongolia/photos/1889734417896974/>

**Table 6. Criteria for Women entrepreneur loan**

| Banks  | Criteria  |
|--------|---|
| TDB    | <ul style="list-style-type: none"> <li>• Woman ownership &gt;51%</li> <li>• Woman CEO or General Director</li> <li>• Female employee percentage &gt;50%</li> </ul>  |
| Golomt | <ul style="list-style-type: none"> <li>• Individual woman entrepreneur</li> <li>• Women's representation in the management</li> <li>• Woman ownership &gt;51%</li> <li>• Women's representation in the Board or the Executive management team &gt;30%</li> <li>• Woman representation in Partnership or Union membership &gt;51%, the Chair of the Union to be a woman</li> <li>• Female employee percentage &gt;50%</li> </ul> |
| State  | <ul style="list-style-type: none"> <li>• Individual woman entrepreneur</li> <li>• Woman ownership &gt;66.7%, executive management to be the woman</li> <li>• Woman representation in Partnership or Union membership &gt;51%, the Chair of the Union to be a woman</li> </ul>   |
| Bogd   | <ul style="list-style-type: none"> <li>• Woman ownership &gt;51%</li> <li>• Women's representation in the Board or the Executive management team &gt;30%</li> <li>• Woman representation in Partnership or Union membership &gt;51%, the Chair of the Union to be a woman</li> <li>• Female employee percentage &gt;50%</li> </ul>  |

Source: Official websites

### 5.1.6 Impacts of offering financial products for women

In 2017, XacBank obtained a USD169 million loan facility from the IFC and the Overseas Private Investment Corporation (OPIC) to support women-owned businesses. The commitment is part of OPIC's goal of providing \$100 million in loans to women-owned SMEs as part of the Women Entrepreneurs Opportunity Facility (WEOF) by March 2022. WEOF is a Goldman Sachs Foundation and IFC partnership to increase access to capital for women entrepreneurs in emerging markets<sup>35</sup>. The bank reported that due to this facility, they could offer an annual interest rate 4.2 percentage points lower than the market rate (16.11%) to women entrepreneurs<sup>36</sup>.

Moreover, Golomt Bank reported that due to its various financial programs and discounted loans dedicated to women entrepreneurs, loans issued to women entrepreneurs have increased by 20%. Loan amounts increased by 30% based on the last five years' average. In addition, the number of female borrowers has increased by 26% over the last three years<sup>37</sup>.

<sup>35</sup> Press release, Xac Bank, Available from the link: <https://www.xacbank.mn/article/835>

<sup>36</sup> Annual report 2017, Xac Bank

<sup>37</sup> Annual report 2020, Golomt Bank

## 5.2 NBFIs

As presented in Section 4.3 of this report, NBFIs loans are highly concentrated on retail products, where women account for 60% of the total customers. Moreover, digital lending is expected to increase the gender-inclusiveness of NBFi products.

As for loan products explicitly designated for women, among the Top 10 NBFIs, only 1 provides loans to support women, while the others mainly focus on micro and SME loans and consumer loans.

*Table 7. Products of Top-10 NBFIs*

|                  | Women entrepreneurs loan | Microbusiness loan | SME loan | Green loan | Consumer loan | Digital loan |
|------------------|--------------------------|--------------------|----------|------------|---------------|--------------|
| Invescore        | •                        | •                  | •        |            | •             | •            |
| Transcapital     |                          | •                  | •        | •          | •             |              |
| GSB Capital      |                          |                    |          |            |               | •            |
| Ashid Capital    |                          | •                  | •        |            |               | •            |
| Central Capital  |                          | •                  | •        |            | •             | •            |
| BID              |                          | •                  | •        | •          | •             | •            |
| LendMN           |                          |                    |          |            |               | •            |
| Ochir Undraa OMZ |                          | •                  | •        | •          | •             |              |
| Netcapital       |                          | •                  | •        |            | •             | •            |
| Ikh Agdir        |                          |                    |          |            | •             |              |

*Source: Official websites*

In late 2021, Invescore NBFi JSC started providing soft loans for female-headed households with funding from Rio Tinto Mongolia<sup>38</sup>. The interest rate is 4.8% annually (7.5 times lower than traditional NBFi loans), and the tenor is 24 months. Although Transcapital NBFi LLC does not have a product specifically for women, 50.9% of active borrowers are women<sup>39</sup>, indicating the NBFi's effort to support women and maintain gender equality.

Apart from the top-10 NBFIs, DEM NBFi LLC has a loan product designed specifically for women entrepreneurs. The loan amount is up to MNT 250 million for 24 months<sup>40</sup>.

<sup>38</sup> Official website, Invescore NBFi JSC

<sup>39</sup> Corporate presentation 2021Q3, Transcapital NBFi JSC

<sup>40</sup> Official website, DEM NBFi JSC

Although the top NBFIs do not offer loan products designed for women, they offer MSME, green, consumer, and digital loans to customers, regardless of gender, with general terms of size up to MNT500 million, tenor up to 60 months, and monthly interest rate of 1.5-10%. Generally, immovables assets are taken as collateral, while digital loans do not require collateral. While some NBFIs require specific collateral such as an apartment, land, or a car, some generalize by requiring immovable or movable assets. Tables 8-11 outline a comparison of the Top-10 NBFIs' loan products.

**Table 8. Comparison of Top-10 NBFIs' MSME loan**

| MSME loan             | Invescore                  | Trans-capital              | GSB Capital                | Ashid Capital  | Central Capital   | BID                              | LendMN | Ochir Undraa OMZ           | Netcapital   | Ikh Agdir |
|-----------------------|----------------------------|----------------------------|----------------------------|--|-------------------|----------------------------------|--------|----------------------------|--|-----------|
| Size (MNT)            | < 2 bln                    | < 200 mln                  | <500 mln                   | <500 mln   | 60% of collateral | <300 mln                         | n/a    | 5 mln-1 bln                | 1-200 mln  | n/a       |
| Monthly interest rate | 0.4-2.9%                   | 2.4-3.0%                   | 2.5-4%                     | 11.5-2.5%  | 3-4%              | Undisclosed                      | n/a    | 2.0-3.2%                   | 2.7-3.5%   | n/a       |
| Tenor (months)        | 24-36                      | 30-60                      | 1-24                       | <36  | 2-12              | 12-36                            | n/a    | 24-48                      | 3-36   | n/a       |
| Collateral            | Immovable & movable assets | Immovable & movable assets | Immovable & movable assets | Sales revenue; Inventory; Immovable & movable assets | Apartment         | Apartment, office or retail area | n/a    | Immovable & movable assets | Apartment, house, office or retail area, car, garage | n/a       |
| Commission            | Undisclosed                | 0-1%                       | 0.5%                       | 1.0%   | 1.0%              | Undisclosed                      | n/a    | 0-0.5%                     | Undisclosed  | n/a       |

Source: Official websites and social network pages

**Table 9. Comparison of Top-10 NBFIs' Green loan**

| Green loan                                   | Transcapital               | BIDx            | Ochir Undraa OMZ       | Invescore | GSB Capital | Ashid Capital | Central Capital | LendMN | Netcapital | Ikh Agdir |
|--|----------------------------|-----------------|------------------------|-----------|-------------|---------------|-----------------|--------|------------|-----------|
| Size (MNT)                                   | >1 mln                     | <50 mln         | <10 mln                | n/a       | n/a         | n/a           | n/a             | n/a    | n/a        | n/a       |
| Monthly interest rate                        | 2.4-3.0%                   | Undisclosed     | 2.0%                   | n/a       | n/a         | n/a           | n/a             | n/a    | n/a        | n/a       |
| Tenor  | <5 years                   | 12-24 months    | 24 months              | n/a       | n/a         | n/a           | n/a             | n/a    | n/a        | n/a       |
| Collateral                                   | Immovable & movable assets | Apartment, land | < MNT 3 mln loan: None |           |             |               |                 |        |            |           |
| > MNT 3 mln loan: Immovable & movable assets | n/a                        | n/a             | n/a                    | n/a       | n/a         | n/a           | n/a             |        |            |           |
| Commission                                   | 0-1%                       | Undisclosed     | 0.0%                   | n/a       | n/a         | n/a           | n/a             | n/a    | n/a        | n/a       |

Source: Official websites and social network pages

**Table 10. Comparison of Top-10 NBFIs' Consumer loan**

| Consumer loan         | Invescore                  | Trans-capital              | GSB Capital    | Ashid Capital | Central Capital            | BID                  | LendMN | Ochir Undraa OMZ           | Netcapital   | lkh Agdir            |
|-----------------------|----------------------------|----------------------------|----------------|---------------|----------------------------|----------------------|--------|----------------------------|--|----------------------|
| Size (MNT)            | <300 mln                   | 500k-20 mln                | <30 mln        | n/a           | <50 mln                    | <300 mln             | n/a    | <100 mln                   | 1-200 mln  | Depends on the value |
| Monthly interest rate | 2.2-3.4%                   | 2.6-3.1%                   | 2.5-3.5%       | n/a           | 2.5-6%                     | Undisclosed          | n/a    | 1.7-3.5%                   | 2.5-3.5%   | 2.5-2.8%             |
| Tenor                 | <60 months                 | <40 months                 | <36 months     | n/a           | <60 months                 | 12-36 months         | n/a    | <36 months                 | 3-36 months  | <48 months           |
| Collateral            | Immovable & movable assets | Immovable & movable assets | Movable assets | n/a           | Immovable & movable assets | Apartment, land, car | n/a    | Immovable & movable assets | Apartment, house, office or retail area, car, garage | Car, phone number    |
| Commission            | Undisclosed                | 0-1%                       | 0.5%           | n/a           | 1.0%                       | Undisclosed          | n/a    | 0-0.5%                     | Undisclosed  | Undisclosed          |

Source: Official websites and social network pages

**Table 11. Comparison of Top-10 NBFIs' Digital loan**

| Digital loan          | Invescore   | Trans-capital | GSB Capital     | Ashid Capital | Central Capital | BID         | LendMN    | Ochir Undraa OMZ | Netcapital  | lkh Agdir |
|-----------------------|-------------|---------------|-----------------|---------------|-----------------|-------------|-----------|------------------|-------------|-----------|
| Size (MNT)            | <10 mln     | n/a           | <6 mln          | <20 mln       | 1-100 mln       | <5 mln      | <2 mln    | n/a              | <2 mln      | n/a       |
| Monthly interest rate | Undisclosed | n/a           | 2.5-6%          | 1.7-3%        | 6-10%           | Undisclosed | 1.5-10%   | n/a              | Undisclosed | n/a       |
| Tenor                 | Undisclosed | n/a           | 7 days-6 months | <24 months    | 15-90 days      | 1-6 months  | 7-30 days | n/a              | 7-30 days   | n/a       |
| Collateral            | None        | n/a           | None            | None          | None            | None        | None      | n/a              | None        | n/a       |
| Commission            | None        | n/a           | None            | None          | None            | Undisclosed | None      | n/a              | None        | n/a       |

Source: Official websites and social network pages



### 5.3 Enabling environment

There are some critical stakeholders and active players, in addition to the banks and NBFIs, which constitute the ecosystem to support gender mainstreaming in the financial sector. They can provide momentum and valuable support to the work of financial institutions. It is essential that they are not only aware of the work of mainstreaming gender but that they know how best to “plug in” to what the MSFA and its members will be doing. It is also critical that MSFA and its members leverage these stakeholders who can provide needed insight, oversight, policies, capital, technical assistance, and financial and non-financial support. These actors’ depth, breadth, and reach extend from the grassroots level in Mongolia to the policy level, to international financial markets and global goals.

Below are some of the key stakeholders identified through the study.

**Table 12. Ecosystem of Stakeholders**

| Role                              | Stakeholders   |
|-----------------------------------|--|
| Oversight                         | <p>The Bank of Mongolia has oversight over the banks, and the Financial Regulatory Commission (FRC), has oversight over savings and credit cooperatives (including microfinance institutions and fintech) and insurance companies. They will be the ones who will collect sex-disaggregated data and determine the methodology by which to collect this data. In addition, they are responsible for strategy, work plans, and key performance indicators (KPIs) that will help determine the progress and performance of gender mainstreaming in the financial sector.</p> <ul style="list-style-type: none"> <li>• The Bank of Mongolia currently collects sex-disaggregated data from banks on the number of savings accounts, current accounts, loan accounts, number of loans, the value of loans, and accounts for individual customers. They are working with the EBRD’s initiative on defining indicators to collect sex-disaggregated information from banks on SMEs. They have been collecting sex-disaggregated information from banks on SMEs as a part of a pilot program. Further, they are planning to publish the information, but this will be a challenge to interpret without a recognized and shared definition of women-owned businesses.</li> <li>• The Financial Regulatory Commission currently collects sex-disaggregated data from savings and credit cooperatives. This data includes the percentage of women’s cooperative members and the percentage of women’s borrowers and savers.</li> </ul> |
| Leadership<br>Government Agencies | <p>The Steering Committee for the Central Asia Women in Business Programme is mandated by the National Committee on Gender Equality of the Government of Mongolia to (i) research the legal framework to support women’s entrepreneurial activities to develop legislative proposals; (ii) create a gender-sensitive database(s); (iii) support gender-responsive financial and entrepreneurship inclusion, develop a roadmap, and create programs to support such activities. This work is championed by the European Bank for Reconstruction and Development (EBRD) and involves many high-level governmental and private sector representatives. This includes developing KPIs and building the roadmap for an enabling environment to ensure the success of gender-responsive finance: “The Roadmap for Improving the Gender Responsive Investment Climate in Mongolia.” Most notably, this Steering Committee will develop the definition Mongolia will use to determine a women-owned business.</p> <p>The Ministry of Economic Development (MoED) is another key actor. They want to ensure coordinated planning and integration with the private sector. Furthermore, it is critical that the reporting is coordinated so that Mongolia can quantify and qualify its progress and performance on SDG 5.</p>  |

|  |  |
|--|--|
| Capital Providers                                      | <p>Development finance institutions (DFIs) are an essential lever for Mongolian financial institutions to access capital and technical assistance to meet the Sustainable Development Goals. The DFI community is making strides to ensure that capital can support women. This includes initiatives such as the 2x Challenge—a call to action to shift more capital towards investments that empower women in developing countries to access entrepreneurship and leadership opportunities, quality jobs, and products and services that enhance their economic participation. The 2x Challenge has a \$15 billion fundraising goal. Mongolian financial institutions have benefited from strong relationships with DFIs—notably EBRD, JICA, and IFC who are all a part of the 2x Challenge.</p> <p>Green financing is rising in importance in Mongolia, and the MSFA is coordinating with the AIFC Green Finance Centre to increase green and sustainable finance and reporting. In addition, the Green Climate Fund currently has ten active projects in Mongolia with 436.5 million USD in financing.<sup>41</sup> Gender is a critical element of Green Climate Fund projects, as each is required to create a gender assessment and plan for each project. Multiple vital stakeholders are developing sustainable finance reporting and guidance.<sup>42</sup></p> |
| Program Donors   | <p>The Asia Foundation's Women's Economic Empowerment Program is driving support for improving financial access for women entrepreneurs and providing non-financial support for women entrepreneurs, particularly for those with informal and microenterprises. The UNDP supports the integration of business and human rights, including gender. The World Bank is supporting gender-responsive budgeting within various ministries in Mongolia. According to various stakeholders, USAID's Best Program is a flagship program to support small business development, with strong uptake by female entrepreneurs.</p>   |
| Non-Financial Support Organizations & Women's Networks | <p>Initiatives and organizations such as the Women Entrepreneurs Council at the Mongolian National Chamber of Commerce and Industry, the International Women's Federation of Commerce and Industry, and the Women Entrepreneurs Mentor Club also strengthen financial literacy and networking opportunities to improve business opportunities for women entrepreneurs. They deliver on the ground non-financial services and complement financing opportunities offered by banks and NBFIs.</p>  |

The policy environment is also critical. In addition to the Law on Promotion of Gender Equality (2011), the following policy initiatives and strategies should improve the environment for women as individuals and entrepreneurs and for the financial institutions supporting them.

The National SMEs Development Program was approved in 2019 and is working to enable SMEs by making financial products more accessible, improving the relevant legal framework, developing support, and helping them grow.<sup>43</sup> This includes policies to put in place a supportive taxation system and accessible financial and non-financial services (capacity building, information sharing, marketing, etc.) Many of the program's goals directly address challenges identified by women entrepreneurs.

Mongolia's National Financial Inclusion Strategy (developed by the FRC)<sup>44</sup> was approved earlier this year. While women are not a specific target within the strategy, many of its goals and activities will positively impact women. For example, women will benefit from increased access to digital services and products, financing and financial literacy information, and cheaper and simpler financial products.

<sup>41</sup> <https://www.greenclimate.fund/countries/mongolia>

<sup>42</sup> <https://www.mn.undp.org/content/mongolia/en/home/presscenter/pressreleases/environmental--social-and-governance-disclosure-and-reporting-st.html>

<sup>43</sup> EBRD. "Gender Statistics Assessment on Entrepreneurship." 2020.

<sup>44</sup> <http://www.frc.mn/resource/frc/Document/2021/03/02/vshns32tcvt11r3i/63.pdf>



## GENDER LENS INVESTING IN THE GLOBAL CONTEXT

To ensure gender equality and encourage women’s economic participation in operational strategy and outreach, the concepts of UN Women empowerment principles, 2X Challenge, and Gender Lens Investing shall be carefully studied and applied to investment decisions.

### UN Women empowerment principles<sup>45</sup>

The Women’s Empowerment Principles (WEPs) are a set of Principles established by UN Global Impact and UN Women, offering guidance to businesses on promoting gender equality and women’s empowerment in the workplace, marketplace, and community.

**Table 13. Women’s Empowerment Principles**

|             |  |
|-------------|--|
| Principle 1 | Establish high-level corporate leadership for gender equality                                    |
| Principle 2 | Treat all women and men fairly at work – respect and support human rights and non-discrimination |
| Principle 3 | Ensure the health, safety, and well-being of all women and men workers                           |
| Principle 4 | Promote education, training, and professional development for women                              |
| Principle 5 | Implement enterprise development, supply chain, and marketing practices that empower women       |
| Principle 6 | Promote equality through community initiatives and advocacy                                      |
| Principle 7 | Measure and publicly report on progress to achieving gender equality                             |

### 2X Challenge

The 2X Challenge launched in June 2018 as a significant new commitment of the development finance institutions (DFIs) from G7 countries to unlock resources that will help advance women’s economic empowerment and gender equality<sup>46</sup>. It calls for the G7 and other DFIs to collectively mobilize \$3 billion in commitments that provide women in developing countries improved access to leadership opportunities, quality employment, finance, enterprise support, and products and services that enhance economic participation and access.<sup>47</sup> The 2X challenge published a reference guide for investors and financial institutions to align their investments with the 2X Criteria. Fulfilling one criterion makes an investment 2X eligible:

<sup>45</sup> AMMC Gender bonds guideline, Moroccan Capital Market Authority

<sup>46</sup> Gender-smart investing guide, 2020, IFC

<sup>47</sup> AMMC Gender bonds guideline, Moroccan Capital Market Authority

**Table 14. 2X Challenge Criteria**

| No | Area   | Criteria  | Threshold |
|----|--|---|-----------|
| 1  | Entrepreneurship                             | Share of women's ownership  | 51%       |
|    |  | A business founded by a woman   | Yes/No    |
| 2  | Leadership                                   | Share of women in senior management   | 20-30%    |
|    |  | Share of women on the Board or Investment Committee   | 30%       |
| 3  | Employment                                   | Share of women in the workforce   | 30-50%    |
|    |  | One "quality" indicator beyond compliance: A policy or program, beyond those required for compliance,   | Yes/No    |
| 4  | Consumption                                  | Product or service specifically or disproportionately benefits women                                    | Yes/No    |
| 5  | Investments through Financial Intermediaries | On-Lending facilities: Percent of the DFI loan proceeds supporting businesses that meet direct criteria | 30%       |
|    |  | Funds: Percent of portfolio companies that meet the direct criteria                                     | 30%       |

Source: 2X Challenge Criteria

To elaborate more on the consumption, or the product criterion, the 2X Challenge has two indicators that measure whether the product benefits women.

**Table 15. 2X Challenge: Consumption criterion indicators**

| 2X Challenge Indicator   | 2X Challenge Qualification  |
|--|---|
| 4A. Investee's product or service specifically or disproportionately benefits women (Yes/No) | To qualify for the 2X Challenge under sub-criterion 4A, the organizations must offer at least one product or service as per the above definition and calculation. A |
| 4B. Percent of customers who are female  | To qualify for the 2X Challenge under sub-criterion 4B, women must comprise the majority of customers (either directly or by proxy, as beneficiaries).              |

Source: How to Measure the Gender Impact of Investments

Mongolia's financial institutions could use the criteria mentioned above to assess their state of gender inclusiveness and their investees and borrowers.

### Gender Lens Investing

To measure the gender impact and the gender inclusiveness of a company or a product, the concept of gender lens investing (GLI) could not be excluded. GLI is an investment strategy that seeks to intentionally and measurably use capital to address gender disparities between women and men and better inform investment decisions<sup>48</sup>. When applying GLI to its investment criteria, financial institutions seek companies that have one, all, or a combination of the following indicators:

<sup>48</sup> Gender-smart investing guide, 2020, IFC

- Owned by women and/or with women represented in leadership
- Committed to a gender-diverse and equitable workforce
- Committed to a gender-inclusive value chain
- Committed to offering and designing products or services that consider the distinct needs of women as a consumer segment
- Committed to ensuring their operations do not harm women in the community

#### Practical Solutions for financial institutions<sup>49</sup>

The Global Banking Alliance for Women (GBA) established a set of practical solutions to develop products and services with a gender lens. The GBA determined that the following criteria are critical in establishing a successful women’s strategy:

**Table 16. GBA Best Practice Solutions: Criteria**

| No. | Criteria   | Action   |
|-----|--|--|
| 1   | Position products as solutions to problems                       | <ul style="list-style-type: none"> <li>• Develop a “solution-based sales approach.”</li> <li>• Ensure convenience in products and services</li> <li>• Create a product package or a one-stop facility that offers a variety of services</li> </ul>   |
| 2   | Position information, education, and networking as core products | <ul style="list-style-type: none"> <li>• Trainings on business planning, financing options for different stages of business development, costing and pricing, and cash flow forecasting</li> <li>• Value-added topics such as time management and leadership skills</li> <li>• Workshops, Networking events, conferences, awards ceremonies,</li> <li>• Roadshows and technical trainings reaching remote and rural areas</li> </ul> |
| 3   | Build the financial management capability of women customers     | <ul style="list-style-type: none"> <li>• Focus on key issues that prevent women from accessing finance (cash flow forecasting, market study, etc.)</li> <li>• Develop strategic partnerships to deliver topics beyond the scope of the bank’s expertise</li> <li>• Point women to opportunities (seminars, advisory services, etc.)</li> </ul>   |
| 4   | Make it a no “pink marketing” zone                               | <ul style="list-style-type: none"> <li>• To become the bank of choice for women, a bank needs to be relevant and offer ways to connect. A best practice bank informs, not sells, and does so in a way that speaks intelligently to women customers.</li> </ul>   |
| 5   | Create a relationship-based business model                       | <ul style="list-style-type: none"> <li>• Create a Gender Intelligent Sales Force</li> <li>• Recognize customer loyalty through reward programs such as points programs and discounts for shops and services.</li> </ul>  |

*Source: The Paradox of Gender-Neutral Banking, Global Banking Alliance for Women*

<sup>49</sup> The Paradox of Gender-Neutral Banking, Global Banking Alliance for Women

The GBA also outlined product development ideas that cover GLI in the following manner:

- address women’s unique business barriers with flexible repayment schedules, grace periods based on cash flow, and an expanded definition of collateral (i.e., receivables or gold).
- Offer savings products for housing, retirement, travel, children’s education, and first accounts for children. An automatic monthly savings program is beneficial.
- Add wrap-around services that meet women’s needs, such as insurance offers.

### Banco BHD Leon case<sup>50</sup>

Banco BHD Leon of the Dominican Republic has successfully implemented a gender lens into its strategy and become the bank of reference. The Bank took the following key needs of women as a foundation and deliverable baseline for its products for women:

1. Individual well-being: Women want to be healthy
2. Family well-being: Women want to know their kids and parents are safe
3. Economic independence: Women want to improve their quality of life and their families.
4. Saving time: Women seek more time for themselves and their families.

The product bundles that the Banco BHD Leon developed centered around five main life-cycle goals:

1. Education - Education for women and their children (e.g., zero-percent financing for school fees, savings accounts that include the option to borrow double the amount saved at the end of a 6-month or 12-month time period)
2. Health - protection for themselves, their families, and their children
3. Mobility - security, saving time, and automobile needs
4. Home - homeownership as a form of economic independence
5. Business - growing their businesses

### The Norfund case<sup>51</sup>

Norfund is a Norwegian DFI that became the leading model for gender lens investing and embedding gender in an institutional investment organization. The Norfund has set the following three objectives for its strategy for gender equality:

1. Promote equal opportunities for men and women;
2. Encourage female participation in management and on corporate boards; and
3. Support women’s enterprises and self-employment

To fulfill the objectives mentioned above, the fund implemented the following initiatives:

<sup>50</sup> The Paradox of Gender-Neutral Banking, Global Banking Alliance for Women

<sup>51</sup> Perspectives from the Dutch Good Growth Fund portfolio, 2019, Dutch Good Growth Fund

**Table 17. Initiatives and activities implemented by the Norfund**

| No. | Area                         | Action  |
|-----|------------------------------|---|
| 1   | Internal socialization       | Workshops within Norfund's investment departments to discuss barriers to women's participation and how the team can work to promote gender equality   |
| 2   | Walking the walk             | Ensuring that Norfund has gender-neutral recruitment, equal pay and improves the gender balance in external events  |
| 3   | Collaboration                | Working with other DFIs and Norwegian NGOs to discuss gender strategies and to share lessons learned  |
| 4   | Leadership                   | Hosting conferences aimed at strengthening participants' understanding of the barriers that hinder gender equality and women's economic participation   |
| 5   | Data collection and analysis | Each year, collect data on the gender balance of portfolio companies and analyze that information across different dimensions and use benchmarks to create insights and learning opportunities and spot opportunities   |
| 6   | Technical assistance         | Sponsoring portfolio companies to participate in Female Future – a leadership and boardroom competence development program, and providing funding for a training program to facilitate the growth of MSMEs, with the requirement that at least 50% of participants are women or women-owned enterprises |

*Source: Perspectives from the Dutch Good Growth Fund portfolio*



## FEMINIZED FINANCIAL PRODUCT DEVELOPMENT GUIDE

### 7.1 Creating a gender-inclusive environment for financial products and services of FIs

The below table summarizes the enabling environment for financial institutions to become more gender-inclusive at the organizational and customer level. This section discusses gender-inclusive customer segmentation, market research, product development, risk screening, and marketing guidelines.

**Table 18. How can financial institutions enable an environment of gender-responsive and inclusive financing for their clients?**

| Element  | Importance   | Intended Result  | Best Practice Examples  |
|--|--|--|---|
| <b>Organization</b>  |  |  |   |
| <b>Governance and Strategy</b>   |  |  |   |
| <i>Governance and strategy are applied internally with employees and externally with customers, clients, and the wider community</i> |  |  |   |
| <b>Governance</b>  | Governance ensures that a strategy will be developed, communicated, implemented, and results will be tracked. It assures accountability.                   | Senior-level internal gender champion identified. Department identified to manage strategy. Reporting structures in place. | Ann Cairns as Gender Champion in Mastercard   |
| <b>Targeted Segments</b>   | Ensure the target audience is identified in order to best assess their needs and develop solutions for them. This will also ensure you can track progress. | Define women-owned corporate or SME by ownership, size of the business and/or engagement.                                  | IFC's definition of Women-Owned Business<br>EBRD's definition of Women-Owned Business   |
| <b>Strategy</b>  | A clear strategy and goal will outline the institution's approach. It will ensure that all stakeholders are on the same page.                              | Strategy is outlined. Strategy is communicated widely. Supporting policies are implemented.                                | EBRD Gender Strategy, African Development Bank Gender Strategy<br>NatWest (UK) Gender Strategy<br>Garanti Bank (Turkey) Gender Strategy |



|                                     |   |   |   |
|-------------------------------------|---|---|---|
| <b>Commitment</b>                   | A public commitment, agreed by the board and senior management, ensures gender equality will remain a priority.   | A public statement on gender equality and the institution's commitment, including at least one public target, is developed.   | Lloyd's Banking Group<br>NatWest Group<br>Bank of America<br>Santander<br>BMO   |
| <b>Reporting</b>                    | The institution should track all results to measure the progress of the efforts. The institution's strategy, as well as programs and policies, can then be altered.   | Review every quarter<br>Internal employee sex-disaggregated data and external customer sex-disaggregated data.<br>Note and address progress and barriers.   | NatWest Annual report   |
| <b>Customers</b>                    |   |   |   |
| <b>Customer and Client Approach</b> |   |   |   |
| <b>Customer Segmentation</b>        | During customer segmentation, consider each segment's lifestyle, needs, and challenges, as there are many sub-segments within (rural/urban, professional/caregivers, etc.).                                 | Consider gender in customer segmentation across the institution (i.e., retail, SME, corporate, etc.).   | Westpac Australia: Ruby (Women in Business)<br>Access Bank Nigeria (case study here)<br>BHD Leon (Case study here)<br>UBS |
| <b>Market Research</b>              | Market research will help the institution better understand the target audience's needs. It will also help identify barriers to financial access.   | Review available market research with a gender lens. Research the intended audience for targeted market research.   | Women and Wealth - Merrill Lynch<br>Women in financial services - Oliver Wyman  |
| <b>Solution development process</b> | Women could have less access to traditional banking channels as they have less time and less mobility. They also have less access to collateral and may require creative solutions to traditional products. | Design specific solutions for women.<br>Processes and requirements such as KYC, collateral, application process, and others take gender into account.<br>View channels with a gender lens, and make efforts to ensure branches, mobile, etc., are accessible. | NatWest Life Moments<br>Stanbic Bank customer proposition   |
| <b>Non-financial Services</b>       | In order to provide holistic solutions to women, financial institutions must also meet the relevant non-financial needs of women.   | Financial education, networking opportunities, and other non-financial services are offered to women customers and/or the community.<br>Review current non-financial services with a gender lens.   | IFC's report on Developing NFS  |

Source: *Perspectives from the Dutch Good Growth Fund portfolio*

|                            |   |  |  |
|----------------------------|---|--|--|
| <b>Marketing</b>           | Marketing is often the public face of the institution. This is an excellent opportunity to create a positive relationship with the target audience.   | Marketing materials are developed and reviewed with a gender lens. Target marketing efforts at women.  | BHD Leon case study with IFC<br>Mujer Mujer commercial from BHD Leon   |
| <b>Sphere of Influence</b> |   |  |  |
| <b>Due Diligence</b>       | Incorporating gender into due diligence and ESRM processes for lending to corporates and SMEs (where relevant) will have the potential for positive outcomes throughout the economy. It can also help the institution track its impact. | Incorporating a commitment to gender into ESRM and the due diligence process for all non-retail lending.   | CDC Gender Toolkit<br>EBRD resources<br>2X Collaborative Gender-Smart Climate Finance Guide  |
| <b>Leading by Example</b>  | The financial institution is a visible role model to companies across industries. Their public commitment to gender equality and shared stories of experience will influence others to follow.  | Case Studies of the institution's commitment to gender equality are shared publicly. Note progress in the annual report. Other companies and industries follow suit. | Westpac's Women of Influence<br>Natwest and Getty AXA information on Women's Health<br>BHD Leon's Women who Changed the World Awards |

## 7.2 Customer segmentation

Women have specific needs, and women in different sub-segments have different personal needs that will guide their financial needs. Customer segmentation is the process that institutions use to guide their products and services development to suit the needs of their intended audience.

### How to do it:

Financial institutions segment customers in multiple ways, and gender can cut across all segments. Some institutions may create new or additional segments around gender, and others may integrate gender into their existing segmentation.

New segments could include:

1. Women in agriculture
2. Women micro and small business owners
3. Employed Women
4. Women carers
5. Women in retirement

## 7.3 Market research

Learning more about the target audience is critical to understanding how to serve them best. During market research, practitioners must outline each sub-segments challenges, needs, opportunities, habits, and perceptions of money and financial institutions.<sup>52</sup>

<sup>52</sup> Oliver Wyman: Women in Financial Services, Financial Alliance for Women, IDH: Human Centered Design

**How to do it:**

Market research will help to assess and frame the opportunity. It will identify how big the market is, how the target market interacts with finance (with your institution and others), their needs, and what gaps exist.

Conduct market research through the following:

- Desk research
- Surveys
- Focus groups
- Interviews
- Mystery shopping<sup>53</sup>
- Others

It is also possible to view existing market research through a gender lens. Practitioners can review existing market information for any differences if it includes questions about gender. This applies to focus groups and interviews. Conduct new market research specifically for women or in mixed groups to allow for a separate analysis of women's responses.

Some topics to explore include:

- What unique needs do women in this sub-segment have?
- What personal and financial goals does she have?
- What does your target woman's day look like, and how can your solutions help her?
- What is her relationship now with our financial solutions? What about the competitors' solutions?
- What barriers is she facing?
- How can we better serve her?

**7.4 Product/Solution development**

Financial institutions provide their customers with products and services to meet their needs. Many products that women want already exist, and others will be newly developed. Solutions include loan products, current and savings accounts, working capital facilities, lines of credit, and other financial products and training, advice, information, networking opportunities, and others.

**How to do it:**

Use market research findings to develop solutions. Review new and existing products with a gender lens. Solutions should consider any specific gender implications of each step.<sup>54</sup> Consider:

- Access to the financial institution/channels: if women are required to physically visit a branch in a specific place during a specific time, they may be less likely to follow through.
- Process: how complicated is the process? How many steps does it require? The more complicated the process, the less likely they will complete it.
- Timeline: If the turnaround time for a loan product is long, women may look to other sources of finance.
- KYC: how specific are the requirements of documentation and identity proof? Are there ways to use alternative options or fewer documents while mitigating risk concerns? Women may have less access to specific documentation or less time to find them.

<sup>53</sup> Mystery shopping is when actors visit your financial institution as "customers" and can report back on the experience.

<sup>54</sup> SME Finance Forum on Collateral Registries, World Economic Forum on Collateral for women-owned businesses IFC: BHD Leon Case Study

- Collateral requirements: Women are less likely to qualify if land or other large assets are required. Are there alternatives such as movable assets that can be used while mitigating risk concerns?
  - Can institutions offer Cross-Selling/ Packaging/Bundles to suit multiple needs easily? She will appreciate saving time if she can solve multiple needs at once without filling out separate documentation for each product.
- Any gender-related impact related to the project being financed
  - Gender inclusion in the decision-making around the project

In addition to a formal risk assessment, if the size and nature of the transaction require an assessment, client relationship managers should inquire about gender with current and potential clients. This inquiry should include how management views gender and how gender is considered in the organization's management strategies, operations, and decision-making. Any dismissal of the importance of gender or any gender bias should be considered a risk.

#### Examples:

1. AXA: Car insurance for women (Ireland)
2. BHD Leon: Mujer Mujer (Dominican Republic)
3. Bank al Etihad: Shorouq (Jordan)
4. Garanti Bank (Turkey)
5. Mastercard: Card that offers rewards for shopping at women-owned businesses (US)

This will increase the institution's sphere of influence to all significant clients, encouraging them to consider gender in their operations. It will also enable clients to track their impact on gender.

Once risks are assessed and scored, the financial institution should monitor the client for any changes and progress on any action plans agreed to as a financing condition.

## 7.5 Risk screening/Due diligence

Implement an Environmental and Social Risk Management System (ESRM) for large financing projects. Gender should be included in this risk assessment as a component of "Social" in an Environmental and Social (and Governance) ES(G) framework.<sup>55</sup>

#### How to do it:

Risk assessment tools should include a gender angle relating to:

- The client's commitment to gender in its operations, policies, and practices
- The client's track record on any gender-related issues
- The client's recognition of the risk of not considering gender in their supply chain

Through these inquiries, client relationship managers should also identify any opportunities. These could include:

- Increasing female representation on the board and/or in senior management
- Increasing the number of women-owned businesses as suppliers
- Increasing employment of women, improving conditions of work for women
- Designing products and services that specifically or disproportionately benefit women and girls

<sup>55</sup> MSFA's ESG risk assessment tool, 2xChallenge Criteria, 2x Collaborative Gender-Smart Climate Finance Guide Toolkit

## 7.6 Marketing

Marketing is part of the public face of the financial institution. It is also how it reaches out to potential customers, clients, and even employees. Considering gender in marketing processes means that women have equal and appropriate representation, and marketing professionals review materials for gender biases or stereotypes.<sup>56</sup>

### How to do it:

Existing marketing materials should all be reviewed with a gender lens to ensure equal representation of women and men and that they are free of gender stereotypes and biases. A review process for all marketing materials should look for gender biases and stereotypes.

Marketing with a gender lens is an opportunity to present the institution as one that cares about women and is committed to gender equality. This will not only attract new customers but will also reach potential employees.

## 7.7 Non-financial services

Non-financial solutions are support and services that complement the financial services offered by a financial institution. Examples include training, network groups, information, or education.

### How to do it:

In addition to providing financial solutions, financial institutions could complement those solutions with non-financial services.

Research shows that non-financial services pay for themselves in one to two years<sup>57</sup> as they build the relationship with the client, reduce riskiness, and increase income received from the client.

Non-financial services address many of the barriers to finance that women have, including:

- Basic accounting and financial management, including projecting cash flows so that women can make informed decisions about their financial needs
- Business planning and specific technical assistance (marketing, sales, operations, IT) to improve profitability and/or plan and execute a growth strategy
- Personal development through mentoring, soft and life skills training, and leadership development that instills competencies, including team building, time management, delegation, conflict resolution, and stress management; and traits including resiliency, curiosity, risktaking, and critical and innovative thinking
- Networks, peer support, and mentoring that can increase access to markets, information, and resources and can help with positive role models

Integrate non-financial services for women into current offerings, and develop others separately. Some may be developed for women only, and others may have women in mind but are offered to a broader audience.

<sup>56</sup> UNICEF: Promoting Positive Gender Roles in Marketing and Advertising, Unstereotype Alliance: Advertising and Stereotypes Banco BHD Leon's advertising to women

<sup>57</sup> Non-financial services: The key to unlocking the growth potential of women-led SME for Banks, IFC and FMO



## PROPOSED TERMS AND CONDITIONS OF FEMINIZED FINANCIAL PRODUCT

The findings highlighted in Section 5 show that some systematically important banks offer financial products targeted at women. This section focuses on several proposed approaches that can support financial institutions (FIs) in developing and delivering loan products that are accessible, affordable, and, more importantly, appropriate for women in Mongolia. Each approach highlighted below allows women to overcome the barriers that prevent credit access.

### 8.1 Collateral

- **Movable and intangible assets:** Where the regulatory framework allows, financial institutions are highly encouraged to expand accepted forms and varieties of moveable assets as collateral. Financial institutions acknowledge equipment, machinery, and other valuable movable assets available to women in many developing economies. This requires regular assessment of moveable assets' prices and their liquidity in the market by financial institutions to update the list of accepted movable assets for security.

One common approach for inadequate collateral in developing economies is to ask individuals or women-owned businesses to bring their family, relatives, and friends as co-guarantors. In the case of Mongolia, there is a legal opportunity to accept movable and intangible assets for collateral purposes. However, major financial institutions are still inclined to accept mostly immovable properties and a few movable properties. There is a need to introduce innovative approaches to accept intangible assets such as sales contracts, future revenue/sales, or crops as collateral.

#### BOX 1. Law of Mongolia on Movable and Intangible Property Pledges

On 2 July 2015, the Mongolian Parliament approved the Law of Mongolia on Movable and Intangible Property Pledges (the "MIPP Law") and the Law of Mongolia on the Implementation of the MIPP Law (the "Implementation Law"). The purpose of the MIPP Law is to develop the private sector by increasing the amount of credit available at economically beneficial rates and stimulating Mongolia's access to capital.

The scope of the MIPP Law covers the relationship arising either contractually or by operation of law between a pledgor and a pledgee with regard to pledges over the movable and intangible property. In addition, the provisions relating to the registration and order of priority under the MIPP Law apply to the rights of a financial lessor and assignee and any lien or right of retention under a hire-purchase agreement, and pre-emptive rights of sellers under a sale and purchase agreement.

According to the MIPP Law, security interests can be created over *existing or future property that is capable of transfer, including all types of shares, securities, claims, all types of scientific, literary and cultural works, inventions, industrial designs, models, trademarks, utility models, and other movable property and intangible property.* "Movable property" includes all property other than land, buildings, and other property that cannot be used for its purpose if separated from the land. Finally, property that is not capable of transfer or which cannot be exchanged for cash pursuant to law may not be used as collateral.

- Credit guarantee:** Mongolia's application and variety of credit guarantees are minimal. Credit Guarantee Fund (CGF) is advised to develop and adopt gender-inclusive guarantee products and increase the credit guarantee cap rate to more than 60% of the loan amount *specifically for women (as a new guarantee product), and follows easy procedures for women-owned businesses.* However, women entrepreneurs report that accessing credit guarantee is cumbersome, and they often cannot obtain the required guarantee from CGF<sup>58</sup>. Clients of The Asia Foundation's Women's Business Center (WBC) reported that, according to the SME law, applicants need to get an SME certificate from MOFALI to apply for the credit guarantee. As most WBC clients operate in the informal sector, they cannot obtain an SME certificate following the SME law. Moreover, loan issuance and credit guarantee are decided separately by the bank and the credit guarantee fund. Financial institutions, therefore, need to improve the correspondence with the GCF, and try to serve informal women entrepreneurs better. They cannot obtain a credit guarantee, so it is essential to utilize innovative methods of obtaining collateral mentioned in this report.

### BOX 2. Operations of Credit Guarantee Fund

Mongolian Credit Guarantee Fund (MCGF) is a strategically significant organization that supports small and medium enterprises that lack collateral, partners with them, contribute towards employment and ensures stable income for the people. While it issued guarantees to 36 SMEs in 2016, this number increased more than fourfold to 160 in 2018. Similarly, the guaranteed loan amount and the guarantee amount increased to support larger loan amounts and longer maturities at lower interest rates.

|  | 2016               | 2017               | 2018                |
|--|--------------------|--------------------|---------------------|
| Number of benefiting SMEs                  | 36                 | 62                 | 160                 |
| Guaranteed loan amount (MNT mln / EUR mln) | 19 273.1 / 6 508.8 | 23 721.3 / 7 904.2 | 53 200.7 / 19 970.4 |
| Guarantee amount (MNT mln / EUR mln)       | 8 008.3 / 1 250.4  | 11 633.6 / 3 888.8 | 29 831.3 / 10 073.3 |

This increase is partly due to cooperation with the ADB, which has been supporting the MCGF with a credit line of USD 60 million as well as with technical assistance. The fund is thus able to provide two similar guarantee products, one based on internal domestic funding and one based on the ADB loan. As of 2019, the large majority of guarantees given by the MCGF were based on the ADB loan. The ADB has also assisted in the creation of new products such as specialized guarantees for women entrepreneurs.

As of today, the MCGF has six partner banks (Trade and Development Bank, State Bank, Khan Bank, Xac Bank, Golomt Bank, and Capiron Bank), and the number is expected to grow further. If the business entity receiving the guarantee accepts the terms of the guarantee and meets the criteria for issuing a bank loan, it shall apply for the guarantee through the bank.

|                              |   |
|------------------------------|---|
| Loan type                    | Investment loan Working capital loan                                  |
| Loan size (maximum)          | As bank loan's condition  |
| Loan tenor                   | As bank loan's condition  |
| Loan interest                | As bank loan's condition  |
| Guarantee size               | up to 60% of the total loan amount                                    |
| Guarantee maximum size (MNT) | 420 million   |
| Service fee (MNT)            | 10,000  |
| Guarantee fee                | up to 1 year - 1%<br>up to 2 years - 2%<br>for more than 2 years - 3% |

<sup>58</sup> The Asia Foundation's Women's Business Center clients survey

- **Group or third-party guarantees:** In good international practices, several microfinance institutions have adopted a group lending scheme and assignment of co-guarantors to replace the collateral requirements. However, this appears more difficult with commercial banks, and more innovation is needed on this front.

## 8.2 Payment schedule

- **Grace period:** Commercial banks in Mongolia offer grace periods ranging between 3 and 6 months for short-term credit. A short-term loan is a type of loan obtained to support a temporary personal or business capital need. It is a type of credit that involves repaying the principal amount with interest by a given due date. This due date is usually within a year from receiving the loan. The recommendation for short-term loans targeted at women is a grace period of no less than six months. Otherwise, a grace period for long-term gender-inclusive financial products can be 12-24 months. The length of grace periods has to be decided upon the FI's confirmation with borrowing individuals and women-owned businesses<sup>59</sup> after the lender carefully explains grace periods and other loan terms to them.
- **Monthly payment** is preferred for short-term and micro-financing to ensure financial discipline and cost reduction. However, consider semiannual payments for long-term credit targeted at women, typically with a loan term of more than one year. Long-term financing is utilized for business expansion and capital investment.

## 8.3 Risk assessment

- **Behavioral (EQ) data-based techniques:** Financial institutions perceive women as high-risk borrowers because of their inability to meet collateral requirements and lack of good business and credit history records. Financial institutions need to develop and adopt data-based behavioral techniques. Under data-based behavioral techniques, a borrower answers questions that capture information like her attitudes, beliefs, and integrity, which can predict loan repayment behavior. If properly developed, the empirical findings illustrate that data-based behavioral techniques support improvements in loan repayment and reduce default risk.<sup>60</sup> Using data-based behavioral techniques such as psychometrics can increase women's access to credit for unbanked entrepreneurs. In particular, this technique is a practical solution to issue loans to applicants who have been rejected based on traditional screening methods.
- **Big data:** In the future, when appropriate, build and integrate big data and separate registration, communication, and utility bill data systems. Financial institutions can leverage advanced data analytics tools and artificial intelligence-based technologies to establish credit scores for underserved women and process collateral-free loans.

<sup>59</sup> These include an individual woman entrepreneur or group of women operate and control income generating business activities; a micro-, small- or medium-sized enterprise is at least 51% owned by one or more females and/or with at least 30% women representation in leadership, including executive committee (board of directors) or executive management; or a micro-, small- or medium-sized enterprise with at least 50% female employment rate.

<sup>60</sup> EFL Global. 2018. Enhancing Application Scorecards with Biometrics



**BOX 3. MYBank, China's case of using Big-data in loan issuance**

The experience of MYBank, a fully digital bank that was created in 2015 by Ant Financial, shows how the rising levels of digital penetration in China's rural areas, the leveraging of "big data", and the automation of the credit approval and provision processes, have made it possible to overcome several of the traditional barriers to financing rural enterprises, including customers' fragmentation, scarce collateral, and a lack of granular knowledge on customers' financial behavior and creditworthiness. MYBank's experience has showcased a new, groundbreaking approach towards providing digital financial services to small enterprises in rural areas, which has shown enormous potential –as well as its own unique set of risks and challenges.

As a completely digital bank, MYBank resides entirely on the cloud and does not manage any physical branches, offering its services only online and via mobile. The key to its strategy to manage credit risk is its ability to track and analyze a vast amount of data about its rural SME clients –and all the other actors that these clients interact with- that is generated by the ecosystem of different digital services that belong to ANT Financial and the Alibaba Group.

How does this work? Those small business owners that are clients of MYBank make use of a combination of several different e-services through their phones and computers, as part of their daily activities: for example, they use AliPay to transfer their funds and store them in a mobile wallet, as well as the online market platform Taobao to sell their products. The triangulation of the data generated on their financial behavior –and trustworthiness with their money- allows MYBank to make very precise and insightful predictions on their capability to repay MYBank's loans, by employing proprietary AI and risk management technologies.

MYBank uses an automatized, AI-powered credit scoring system (the "Zhima credit evaluation system") to analyze this massive amount of information (i.e. big data) it has on every loan applicant, to screen for creditworthy clients. Furthermore, the use of big data –and the very precise client evaluation process it enables- allows MYBank to eschew the need to ask for conventional collateral from its clients, thus lowering the threshold for loan disbursement and helping to provide credit to rural clients who previously had no chance of receiving it.

Rural SMEs can submit a loan application to MYBank entirely online, with average loans provided of USD 4,400. In terms of the timing for loan approval, MYBank follows the "3-1-0 model": 3 minutes to apply from a mobile phone, 1 second to approve, and 0 seconds of human intervention. Although loan purposes can be quite varied, MYBank mainly provides credit to satisfy working capital and short-term investment needs for agricultural activities.

- **ESG due diligence:** The MSFA member FIs are committed to implementing Mongolian Sustainable Finance Principles in their operations. Under this commitment, all FIs shall conduct ESG due diligence<sup>61</sup> for their business loans exceeding MNT 50 million<sup>62</sup> and tenor of 12 months. When conducting ESG due diligence in the client's loan application, FIs can identify gender-related risks and opportunities to finance with a concessional term than a regular business loan.

## 8.4 Loan size

- **Hybrid loan:** To increase the bankable loan size, introduce a hybrid product, combine a modified group loan (such as two women to co-guarantee for a smaller business) and an individual loan to support the transition and minimize the risks of specializing in one product or business. For instance, let us say "ABC" SME has two founders who want to grow their business. To do

<sup>61</sup> Excel based tool to identify corporate client or project's environmental, social, or governance (ESG) related risks.

<sup>62</sup> It is only a suggested threshold and it purely depends on the size of financial institution and their market size.

this, they need more working capital. In this case, these two women can combine their loans into group loans, plus they can get consumer loans to increase the loan amount, and it provides more flexibility in terms of payment schedule and interest rate. This is a recommended loan type for early-stage SMEs with no lending history.

- **A bridge between MFIs and formal FIs:** To support women entrepreneurs' transition from microfinance to formal FI loan borrowers, consider narrowing the loan size and requirement gaps. One option is for MFIs or commercial banks to provide a bridge product that applies the loan application requirements in the middle – between MFIs and formal FIs. Diamond Bank in Nigeria offers such an example. Partnerships between MFIs and commercial banks are also helpful. Some FIs are universal banks that cover both microfinance and SME finance and, in many cases, have grown from an MFI into a commercial bank. These FIs (e.g., Cambodia's ACLEDA Bank, Mongolia's XacBank, and Uzbekistan's Bank Ipak Yuli) are likely to be better positioned to offer services to help individuals women entrepreneurs become micro to small enterprise owners.

### 8.5 Services outside of lending

- **Diverse financial services:** Offer diverse financial services outside of MSME lending, such as savings, insurance, payment cards, etc.
- **Leverage savings as a qualifier to access a larger loan**

- **Non-financial support:** Provide business development services, financial literacy, legal advice, confidence-building training, and other services as part of the FI's service package. For example:
  - Consider specializing in women-only financial product lines
  - Consider setting up women's desk or women-only counter services with dedicated and trained staff

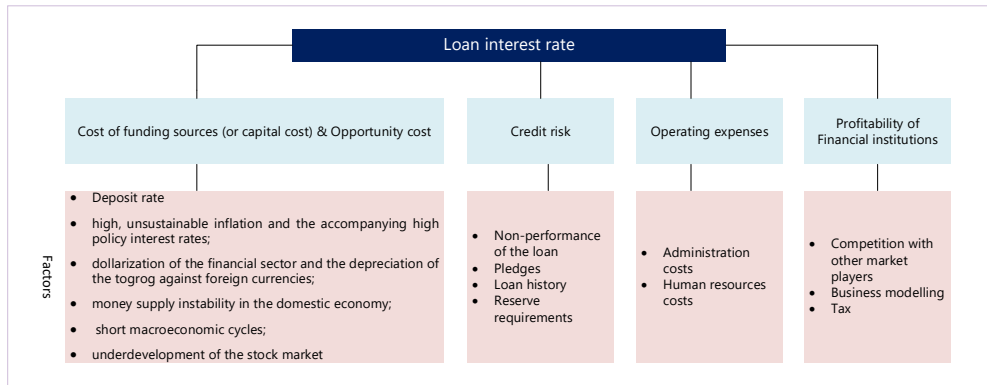
### 8.6 Interest rate

Market principles set loan interest, and it is usually inappropriate to set the loan interest manually as it can result in unwanted higher inflation and money supply.

Although interest rates on savings and loans depend on the decisions of financial institutions, many factors are reflected in these decisions, such as market structure, financial sector development, infrastructure development, legal environment, finance, macroeconomic stability, and monetary policy effectiveness.

For example, the breakdown of loan interest rates by accounting means that: (1) the bank's interest rate raised by the bank is about 60 percent of the loan interest rate; (2) the difference between the interest rates on loans and deposits is the remaining 40 percent. The bulk of the interest rate differential is accounted for by the bank's operating expenses, credit risk, and profitability (see Figure 42 below).

Figure 42. Loan interest rate-setting mechanism



The main macro and micro factors that affect lending rates are:

- Mongolia’s economy is highly vulnerable to external shocks;
- Inflation is volatile and high due to supply factors;
- Macroeconomic policies are volatile and cyclical;
- Low foreign exchange reserves and high public debt;
- Financial stability remains fragile;
- Excessive central bank involvement in financial markets;
- Cyclical bank operations;
- Intense competition for resources in the deposit market due to low domestic savings;
- General risks of doing financial business are high;
- Poor quality of institutions and governance.

Therefore, it is impossible to propose financial products with lower interest rates for women SMEs with FIs’ resources depending on the macro and microeconomic factors mentioned above. **Therefore, the GoM should implement a concessional loan program similar to the SME Development Fund or Employment Support Fund to support women MSMEs.** In Box 5, we outline the Ministry of Environment and Tourism’s good practice of offering green loan subsidies.

**BOX 4. Interest rate subsidies for green loans, Ministry of Environment and Tourism, Mongolia**

As part of its measures to reduce air pollution in Ulaanbaatar, the Ministry of Environment and Tourism has approved and implemented 3 billion MNT in 2019 for interest rate subsidies for electric heating and insulation products. After consultation with the Bank of Mongolia, soft loans were provided through Khan Bank, XacBank, and State Bank. The average business loan interest rate in the market is around 18%, and thanks to MET’s interest rate subsidy, now consumers and businesses can take green loans with the concessional rate of 8% on hand.

Eligible technologies or activities for the green loan interest subsidies were easily identified because there are Nationally agreed Green Taxonomy which was approved by the Financial Stability Council. If we try this scheme with women SMEs, we should have a Gender Taxonomy, or at least the legal definition of women-headed SME should be developed and agreed upon nationally to prevent pink-washing.



## IMPACT MEASUREMENT AND REPORTING

To measure the progress of such efforts, institutions should track all results. The institution's strategy, as well as programs and policies, can then be altered.

### 9.1 Tracking

Tracking should include:

- Baseline values from the Gender Assessment Tool where applicable: Where were we when the gender strategy was developed?
- Regular interval reporting: Updating values quarterly
- Progress against targets, if relevant (see note on targets below)

Many institutions use a scorecard that automatically updates quarterly according to current data or integrates gender into a stable branch or regional scorecard. It might be necessary to develop multiple reporting structures and varying levels of depth for different audiences, such as:

- Branch
- Region
- Segment
- HR/employees
- Senior Management
- Board

Review progress to determine what strategies are working and what might require additional focus. Reporting should then drive efforts to mitigate challenges or address barriers and opportunities.

Setting targets to ensure that objectives are clear. Each target should be rooted in the institution's baseline data and strategic priorities. There should be realistic expectations, and timelines will be unique to the institution. Targets that are intended to help the institution:

- Assess their current level of progress in creating and implementing a gender strategy
- Compare themselves with benchmarks
- Set a challenging but realistic target and the timeline for each of the indicators
- Report on progress against targets

Each target should have a work plan for how the institution will reach the target, benchmarks, and timelines.

## 9.2 Suggested indicators

### Suggested indicators to track progress at the institution level<sup>63</sup>

| Indicators   | Why it is important   | National Baseline <sup>64</sup>  |
|--|---|--|
| Number of clients (total, loan, current account, and deposits) | Understand the breakdown by sex for each segment. Identify areas where more customers can be reached and areas where barriers should be addressed.  | n/a  |
| Number of (i.e., deposit) accounts by sex                      | Comparing the number of accounts and the amount in the accounts by sex will help provide nuance on how customers use the product. For example, we see that women hold more accounts at the national level but are holding less in each account. This could show that women can be better serviced.                          | Men held 46% of the total deposit accounts, and women held 54% in 2019 <sup>65</sup> In savings and credit cooperatives, 52% of savers were women (FRC). |
| The total amount in accounts by sex                            |   | In 2019, men held 55% of the total deposit account amounts, and women held 45% by women.   |
| Number of lending products by sex                              | Similar to the deposit or savings accounts above, comparing the total number of loans with the loan amount will show how well women and men are using the products. In addition, if women own 68% of the SMEs but are only 46% of the SME lending portfolio, the institution would know that there is likely an unmet need. | 56% of the number of bank loans went to women, 44% to men in 2020. In savings and credit cooperatives, 59% of borrowers are women for Q2 2021 (FRC).     |
| The total amount of lending by sex                             |   | 43% of the total amount of lending went to women and 57% to men in 2020. <sup>66</sup>   |
| Number of products designated for women                        |   | Five as of 2021.   |
| Average size per client (loan, current account, and deposits)  |   | n/a  |
| Loan tenor and interest rate by sex                            |   | n/a  |
| Number of loan applications by sex                             | Comparing this with the total number of loans to each sex will show if there is discrimination in lending decisions.  | n/a  |

<sup>63</sup> The GAT, World Benchmarking Alliance: Gender Benchmarking Report, Financial Alliance for Women: Power of Our Data

<sup>64</sup> Each institution will establish their own baseline from the Gender Assessment Tool)

<sup>65</sup> EBRD. "Gender Statistics Assessment on Entrepreneurship." 2020.

<sup>66</sup> <https://www.mongolbank.mn/documents/statistic/gender/loan2020e.pdf>

|  |   |     |
|--|---|-----|
| Product per customer (or similar product usage) by sex     | This will show if there is an opportunity to increase products for women or perhaps to bundle products.   | n/a |
| Non-performing loans by sex                                | NPL by sex may identify pockets of loan customers that could potentially have reduced collateral or other requirements. It will also help the institution understand the value of women customers, as most report that women have lower NPLs. | n/a |
| Insurance claims by sex (and rejections by sex)            | This helps an insurance company identify if there could be gender bias in accepting and paying out claims.  | n/a |
| Customer satisfaction by sex or customer complaints by sex | This could provide insight into areas where specific customers need to be served differently. This will also show if gender mainstreaming efforts translate into better customer satisfaction.  | n/a |

There is no research document on good international practice in determining gender-sensitive indicators for financial products and services readily available. Therefore, we created indicators suitable for Mongolia’s financial institutions specifically for this report.

Considering the above-mentioned international principles, indicators, and good practices, domestic financial institutions shall apply those quantitative mentioned above and the following qualitative indicators to assess the gender-inclusiveness of their products and services.

- Whether the FI collects detailed sex-disaggregated data
- Whether the FI conducts gender assessment on investees or borrowers
- Whether the FI supports and acknowledges a gender-inclusive value chain
- Whether the FI conducts research on financial needs and challenges of women in obtaining financial access
- Whether the FI organizes capacity building training and events for women
- Whether the FI provides advisory services to women entrepreneurs

As financial institutions serve both individuals and corporations, the assessment indicator shall differ depending on the nature of the product. For instance, for retail products such as term deposits offered to individuals, quantitative indicators such as the number of clients by gender and outstanding loan amount by gender would directly show the gender sensitivity of the product.

On the other hand, qualitative indicators shall play a key role in determining gender inclusiveness for products offered to corporates, such as corporate loans. The first step in determining a corporate product as gender-inclusive is defining the investee, the borrower, or the client as a ‘women’ or ‘men’ or ‘gender-inclusive’ business. The best practical method is to conduct a gender assessment on the business and assess whether the criteria mentioned in Section 4.1 of this report are met at the client level.

For instance, if the borrower is owned by a man, but the business itself supports women within its value chain (i.e., raw material, processing, distribution, wholesale and retail trade), that business should be regarded as a gender-inclusive business. Once the corporate clients are defined as gender-inclusive or men or women businesses, the financial institution can collect and create a database for corporate clients.

### 9.3 Reporting

Regular reporting requires implementers of the strategy to report progress to those responsible. It ensures gender remains on the agenda.

#### How to do it:

Quarterly reporting to the institution's executive committee and board will require consistent attention by implementers and an agenda item at the meetings. This requires metrics that can easily track progress against objectives. For example:

- **Employees**
  - Female representation at senior levels
  - Exits at senior levels by sex
  - Promotions at senior levels by sex
  - Hires at senior levels by sex
  - Total employees completing gender training
  - Number of women advancing careers after maternity leave
- **Customers**
  - Female representation in total lending customers by segment
  - Female representation in total lending amount by segment
  - Newly added female customers
  - Newly granted loans for female customers
  - Customer satisfaction by sex
- **Sphere of influence**
  - Female-owned suppliers that provide products and/or services to the financial institution
  - Number of transactions screened for gender risk
  - Total financing to companies with identified gender risk
  - Media presence on gender-related topics

## CONCLUSION

International good practices show that promoting gender equality through the financial sector directly impacts women's financial independence and overall economic empowerment. There is innovation and good practice across the globe of financial institutions and initiatives addressing finance as a tool for gender equality and advancing women's economic power and potential. Specifically, for women-owned micro, small and medium enterprises, having adequate financial access to loans and other products is the key to sustaining and expanding their business. Women face numerous challenges from traditional gender norms, such as dual care responsibilities, which limit their time and commitment, and lack of collateral assets in accessing a loan. Therefore, financial institutions must consider their specific needs and requirements separately.

Key findings from our assessment are listed below:

- FIs do collect sex-disaggregated data but do not utilize the data in their product development and customer segmentation
- There is a lack of products designated for women: Only 4 out of 11 commercial banks have a loan product for women. Only 2 out of the top 10 NBFIs support women through their services.
- Non-financial services, such as training, seminars, and networking events for women, are lacking.
- Sex-disaggregated data of retail loan products indicates that although women outnumber male borrowers, the borrowing amount is 25% lower than men, suggesting a gap in funding.

## CONCLUSION

- Women entrepreneurs receive small loans with high-interest rates because they are considered risky. For example, female entrepreneurs received loans worth an average of MNT 58 million at an interest rate of 15.5%. Male businesses received an average of MNT 106.7 million at 13.5% interest from the SME Development Fund.
- There is an apparent need to coin the legal definition of the corporate client as 'men-owned,' 'women-owned,' or 'gender-inclusive business' using gender assessment tools to create a sex-disaggregated database for corporate products.
- Develop loan products for women and women entrepreneurs considering the specific needs and challenges women face. For example, innovative mechanisms of collateral requirements such as accepting sales contracts or future revenue as collateral instead of immovable property that is not often registered in women's names will be a great initiative.
- Support women-owned micro and small enterprises to access the current loan products offered by financial institutions. Women-owned businesses often tend to be micro and informal and lack human resources. Therefore, dedicated support or help desk from the financial institutions to help those women get the necessary guidelines and consultations to access the loan products available at the market are essential.

Mongolia's financial sector has been a leader and driver of sustainable finance for social progress, leveraging the finance sector's responsibility, reputation, innovation, and product and service offering to demonstrate that the financial sector can deliver on Mongolia's sustainability and social ambitions. The Mongolian financial sector has proven its ability to embrace innovation, and the mainstreaming of critical issues and gender finance is a growing field. Bringing elements of global good practice and making that practice uniquely Mongolian is recommended. Such practice will help create buy-in, build a more stable economy and financial system, and support women's innovation, creativity, and ingenuity as business leaders and market actors while supporting the continued economic prosperity of the Mongolian financial sector.

Mongolia's financial sector still has room to improve efforts to ensure gender equality and support gender-inclusive businesses through its products and services. Specifically, the following actions are recommended for Mongolian FIs to promote gender mainstreaming in the financial sector:

- Improve financial institutions' internal gender policy and train the staff on gender sensitivity and inclusiveness. Training the financial institutions' staff at every level on gender sensitivity and inclusiveness is essential to increasing financial access for women.
- Improve financial institutions' internal gender equality by increasing the number of women in C-Suite and decision-making positions. More diversified management will effectively bring the necessary support to promote gender mainstreaming in the Mongolian financial sector.