

# Banking for women in Morocco:

## An overlooked business opportunity

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### WHY SHOULD MOROCCAN BANKS CARE ABOUT WOMEN-LED BUSINESSES?

Women-led businesses represent an untapped opportunity that any bank with a strategic interest in SME banking in Morocco should consider. With no dedicated offers, low competitive pressure and many untapped client relationships, the women-led business market gives a first-mover the advantage to seize the most attractive sub-segments, build loyal client relationships and entrench a dominant market share.

- Women-led businesses in Morocco represent a potential market of €862 million in business loans and €195 million in annual revenue from serving the financial needs of their businesses.

**€459 million**  
the loan demand  
of the Women in  
Business market in  
Morocco

- Serving also their personal and family finances will increase total banking revenues by at least 26 per cent. This implies a directly addressable women-led business market worth 31 per cent of the current SME banking portfolio.
- Serving women's key personal banking needs such as accounts, mortgages and insurance is potentially worth an additional €52 million annually. Securing their families' financial wellbeing far outranks any business motivations for Moroccan business women and men alike. If banks successfully launch dedicated offers and address demand-side hurdles such as financial literacy, trust in banks, affinity with loans, savings and transactions, even higher estimates become achievable at 41 per cent of the current SME banking revenues.
- Women-led businesses are likely to be more reliable borrowers promising more profitable lending. Research points to a 3.5 per cent lower propensity to skip repaying their loans even when facing difficulties.



**European Bank**  
for Reconstruction and Development

**230,000**  
women-led  
businesses are  
unbanked in  
Morocco

The Women in  
Business market  
is worth **41%** of the  
current SME market  
in Morocco

#### EBRD Women in Business Programme

- dedicated credit lines for women-led SMEs
- business advice for women-led SMEs
- first-loss cover for financial institutions
- market outreach and training
- technical assistance for financial institutions
- policy support to promote financial inclusion.

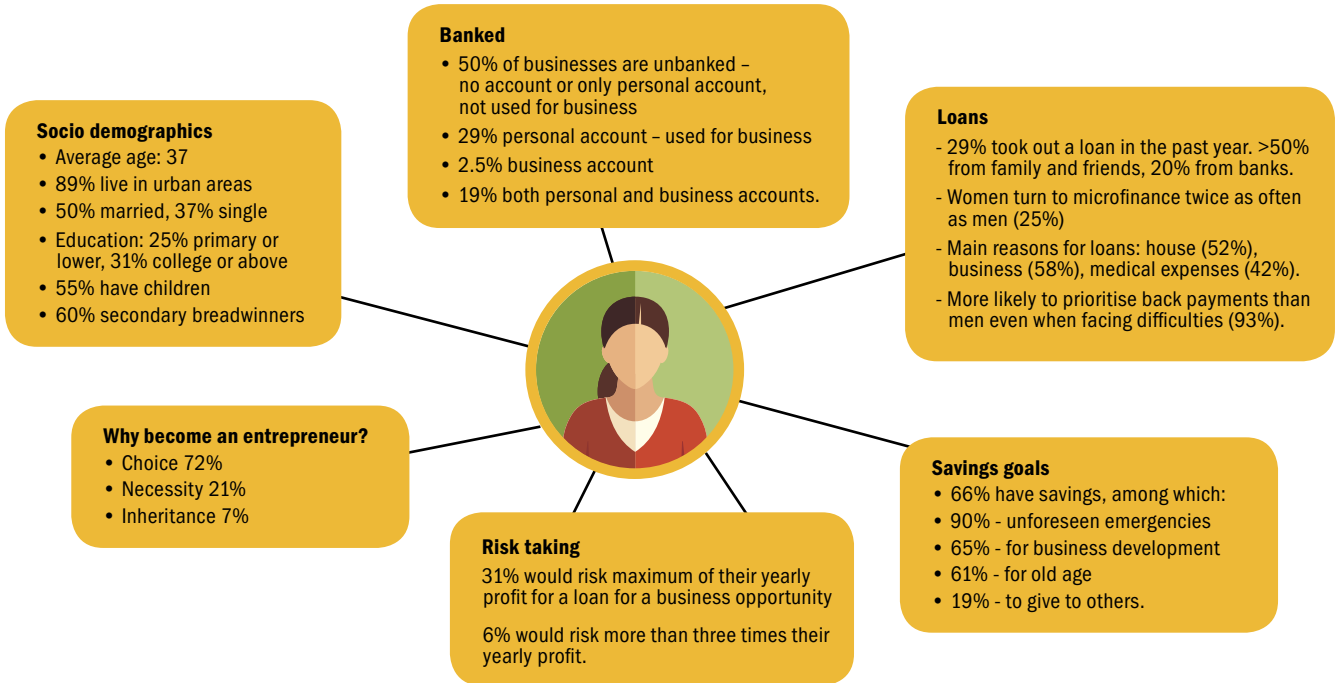
**35,000** women entrepreneurs reached since launching the programme in 2014

**30 financial institutions** across **17 countries** received in total over **€400 million** in financing for women-led SMEs

**#WomenInBusiness**

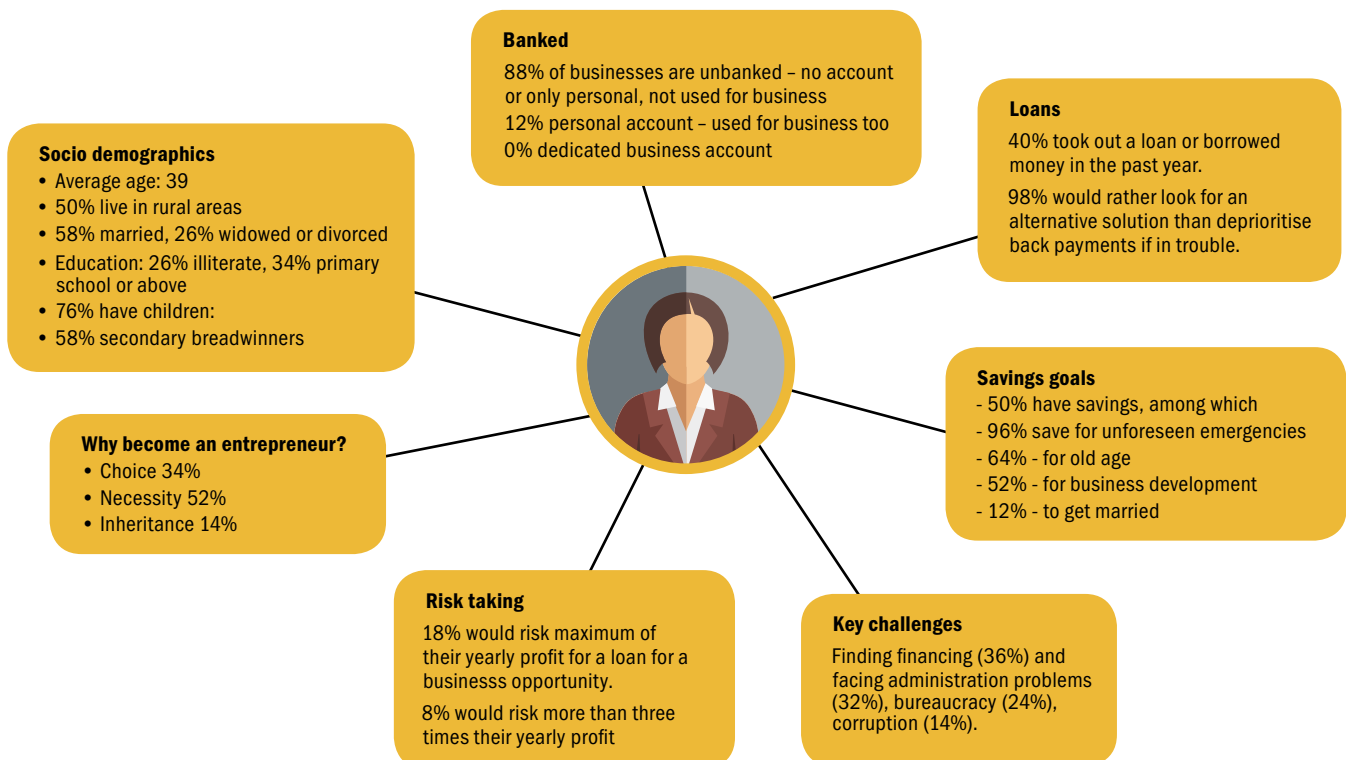
# FORMAL WOMEN-LED BUSINESSES IN MOROCCO: THE "LOW HANGING FRUIT" FOR BANKS

1 in 2 formal women-led businesses do not yet use a bank account to finance their business; and those who do are far from banking comprehensively and regularly. Less than 30 per cent acquired a loan in the last year and about 60 per cent of those put money aside as savings. Their education, IT affinity, business ambition and confidence exceed that of male entrepreneurs. And yet most remain unaware of how financial services can benefit their personal and professional lives. Profitable banking for this clientele will not require significant changes to the current banking model.



# INFORMAL WOMEN-LED BUSINESSES IN MOROCCO: LONG-TERM STRATEGIC OUTLOOK

Often strapped for liquidity they take out loans most frequently (40 per cent), but mainly from family/friends (60 per cent) or microfinance institutions (35 per cent). They lack the confidence to apply for bank loans. Banks may be attracted by the absolute size of the informal market: it constitutes about two-thirds of all women-led businesses—and much upside for future growth. Banking for this sub-segment will require some changes to delivery channels and business models.



## Banking for women in Morocco: current practices

Current small and medium-sized enterprise (SME) banking practices in Morocco present a major obstacle to more active usage of finance. A relatively conventional, branch-based, loan-focused, collateral-requiring and passive SME banking model fails to reflect the needs and priorities of its addressable market. As a consequence, banks' usage remains well below its potential in Morocco—for business women and men alike.

Banks fail to actively communicate with clients—both potential and existing ones. Most women in business do not understand how banks and their services are relevant for them (formal women-led businesses: 55%, informal: 84%). The low frequency at which Moroccan banks contact their MSME clients indicates that the supply side of the market is not engaged in triggering the demand (even among formal businesses, 50% of businesses hear from their banks less than once in six months).

Microfinance is prominent among women-led businesses and is well ahead of banks. Women request loans from microfinance institutions substantially more often than men (24.5 per cent versus 12.6 per cent, respectively). This difference is even greater for the informal businesses. This indicates that a customised approach to women-led businesses, as often used by microfinance institutions (MFIs), can help win market share in this customer segment.

Desire for financial protection is an under-used prime motivation to mobilise savings and self-insurance. Protecting family against financial risk and emergencies is one of the top yet often overlooked financial priorities for women entrepreneurs. Deposit levels remain below potential and clients remain under-insured. Product bundles (for example, savings or loans with insurance) and communication about such products, in addition to business banking offerings, can make a difference.



## Banking for women: what can be done differently?

A large part of the market can be captured with some changes to banking practices. Serving the women-led businesses calls for a dedicated strategy derived from understanding that the person behind the business and her needs and priorities matter, and business women require a differentiated approach. This can be achieved by increasing customer contact or training branch staff to enhance client relationships with women customers.

While these changes may require some effort, they are not costly and can greatly benefit not just women-led businesses, but the overall MSME market. Women-led businesses offer an opportunity to pilot new practices to overcome those which are not working well even for formal and male-dominated Moroccan MSMEs.

Other issues include developing new delivery channels such as

mobile, video and agency banking — essential to reach time-poor female entrepreneurs due to their care responsibilities, incentivising mobilisation of deposits and cashless transactions.

Financial products can also be made more attractive to women by:

- developing products adapted to the sectors in which women-led businesses are most active.
- providing hybrid solutions: for example a crossover approach combining classical SME and retail banking.
- providing flexible responses to clients' volatile cash flows: Net cash flows of Moroccan women-led businesses react more strongly to lifecycle events (for example, maternity). Banks, therefore, should proactively adjust lending conditions to address lifecycle events.

## FOCUS ON COLLATERAL

Neither women nor banks benefit from collateralised lending.

**Women in Morocco have fewer assets for collateralised lending**, presenting a major challenge for women-led businesses. In line with the Moroccan inheritance law, separation of assets in a matrimonial regime and lower inheritances for daughters remain the reality. This results in the gender gap in asset ownership varying from 15 to 40 percentage points, with the biggest gaps in the preferred bank collateral of real estate.

**Collateralised lending may be less efficient than expected.** With an estimated recovery rate of 28.1 per cent of collateral value and an average time of 3.5 years to realise it, Morocco lags far behind its neighbours Tunisia and Algeria, or the OECD average of 72.3 per cent.

**Higher effort of supervising the loan portfolio should be outweighed by women's tendency for complying with repayment obligations.** Without collateral, detection of loan arrears and proactive loan resolution efforts need to be processed faster. Individual engagement with the borrowers is key: if treated with respect and discretion, survey results suggest that women will make more effort than men to avoid default. Some sub-segments are even 10 per cent ahead of the men's average for prioritising loan repayments.

**Banks need to design a fact-based approach to risk assessment that would rely more on information about the client**, her cash flow and an assessment of the riskiness of her line of business rather than the appraisal of an asset. This is likely to require new analytical tools that will reflect – and wherever possible automate – the new risk assessment processes. These tools may require regulatory approval.

In addition, Moroccan banks can build on the experience accumulated by banks around the globe in successfully performing lending with **flexible collateral** options (for example, movable collateral in Turkey). Turning current informal sources of loans (friends, family, sale of assets) into more flexible collateral may help banks **capture a much larger share** of the borrowing business that women already represent today.



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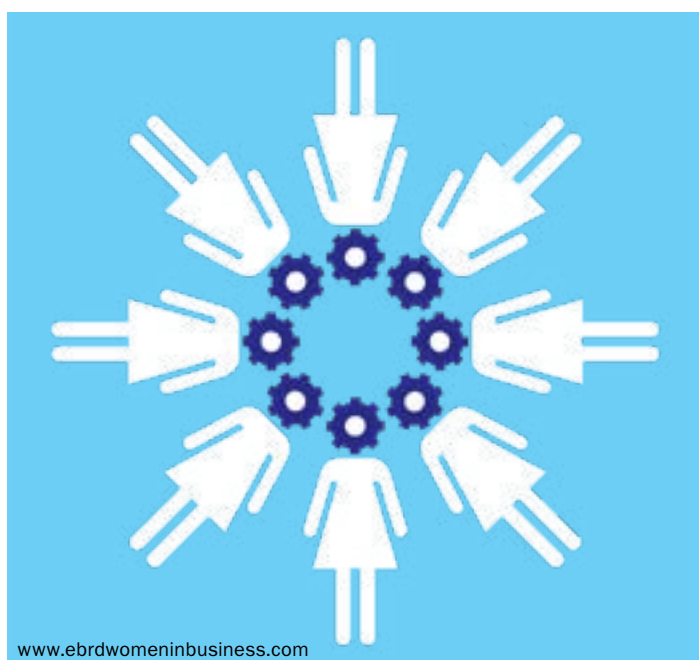
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