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Women Entrepreneurs and Effective Banking in Emerging Markets

Bank of Luoyang, China, Designs Offerings to Appeal to Female Business Owners

With support from Goldman Sachs 10,000 Women

Lijing Gate, Luoyang

About the authors

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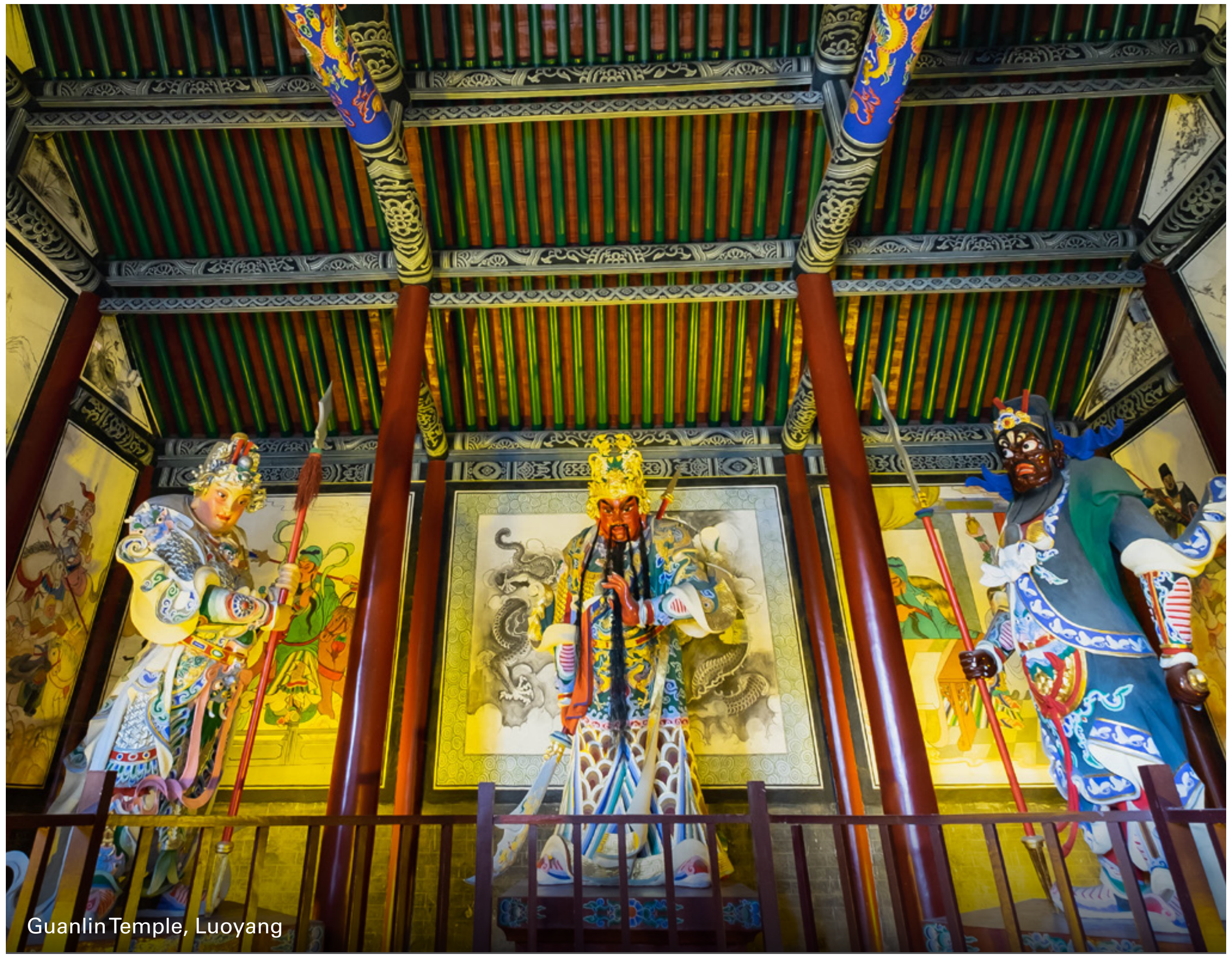
Since 2008, Goldman Sachs *10,000 Women* has helped foster economic growth by providing women entrepreneurs with business education and access to capital. In its tenth year, the *10,000 Women* curriculum is available online, further democratizing access to a business education in more corners of the world. In 2014, the initiative expanded to reach 100,000 women through a first of its kind global finance facility launched in partnership with International Finance Corporation to increase access to capital for women entrepreneurs to grow their businesses. To date, this Facility has committed over S1.2 billion to 36 banks in 31 emerging countries to help them increase their lending to women-owned businesses. The Facility helps banks target and reach women by providing lines of credit, sharing risk, and advising them on how to expand into this new market. Bank of Luoyang is one of the banks that have received support through the Facility. By documenting BOL's experience lending to women-owned businesses, their successes and lessons learned, and explaining how their goals were achieved, this case study hopes to inform the on-going effort to help the financial sector better serve the world's women entrepreneurs. The research for this case was fully funded by Goldman Sachs *10,000 Women*.

Bank of Luoyang Designs Offerings to Appeal to Female Business Owners

Introduction

This case study puts forward the economic rationale for investing in women entrepreneurs, especially by improving their access to finance, and describes how the Bank of Luoyang, in the Henan Province of China, developed an offering of banking products tailored especially to female business owners.

The Bank of Luoyang's "Banking on Women" initiative was the first such effort in China and one of the first among all emerging economies. The program was designed with twin aims, to improve financial access for women and to build the bank's business. The market segment requirements, the lessons learned, and the objectives to be met are broadly similar to what would be found among women and within the banking industry across the developing world. The steps that Bank of Luoyang (BOL) took leading up to their June 2016 launch therefore should be generally applicable in other emerging economy contexts. Though it is expected that BOL's offerings and messaging will continue to evolve as management learns more about this target audience, this case study can act as a template for other banks to use in planning efforts to better serve female business owners.

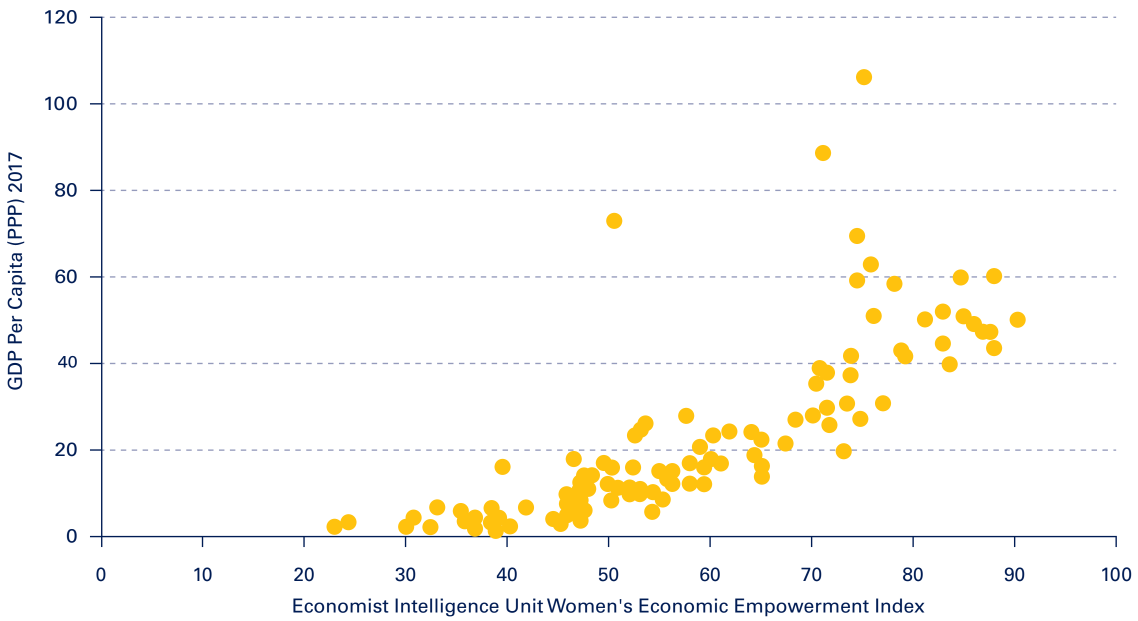


Guanlin Temple, Luoyang

Women's Enterprise and National Prosperity

Economic research has now demonstrated that better inclusion of women in national economies is one of the most effective strategies for achieving growth, peace, and prosperity. Analyses from a range of institutions including the International Monetary Fund and the World Bank, as well as Goldman Sachs and PWC, show that providing better economic opportunities for women can add substantially to both per capita income and GDP.[1]

GDP and Women's Economic Empowerment

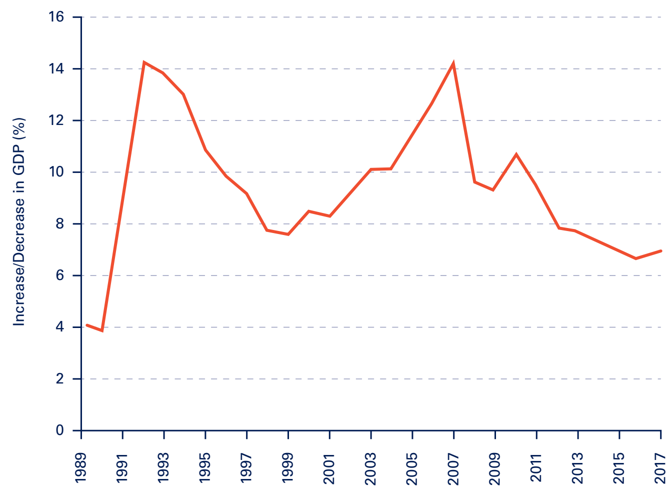


Source: Economist Intelligence Unit Women's Economic Empowerment Index (2012) and the World Bank Database.

The positive contribution that women could make to the national economy is particularly important in China now because the overall growth rate has slowed to its lowest point in a quarter of a century. The banking sector reflects this pattern, with growth in deposits and loans slowing considerably.

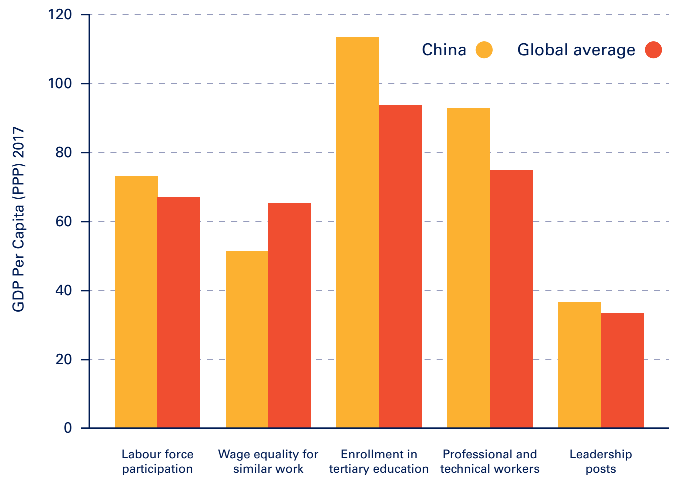
Better inclusion of women in the national economy would add as much as 5% to China's GDP,[2] even though Chinese women are already employed at a high percentage (70% of all adult women), as compared to other emerging nations. As with many developed nations, women outnumber men in both higher education enrollment and representation in professional and technical jobs. Despite their strong labor force participation and educational credentials, however, women in China experience lower pay and lesser prospects for career advancement compared to men, just as in other countries. The burden of care falls heavily on women in China as it does elsewhere. They also experience barriers to developing their own businesses that women in the other countries do. Thus, though women are better included in the labor force in China in some ways, there remains a similar set of constraints on economic participation compared to other regions of the world. Indeed, out of 144 nations ranked for gender equality by the World Economic Forum 2018 report, China came in 111st, due almost entirely to the small numbers of women in leadership posts in either the public or private sector.

Annual Growth in GDP, China, 1989 to 2017



Source: World Bank national accounts data, and OECD National Accounts data files World Bank database, updated 4.24.2019. Accessed 4.29.2019. https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=CN

Women's Economic Particaption in China, 2018



Source: World Economic Forum, Global Gender Gap Report, 2018.

There is a particularly important gender gap when it comes to enterprise. In China, 64% of SMEs have at least partial female ownership—double the global average. However, 70% of those female business owners report that they are lacking financial or credit support. The International Finance Corporation estimates that the global credit need for women-owned MSMEs is USD$1.7 trillion.[3]

The potential contribution that female entrepreneurs could make to China's growth—especially for the banking sector—is great. Chinese banks experienced strong growth from 2005 to 2010, however, there has been a slowdown in asset growth and profitability since 2012. Closing the gender credit gap among SMEs would fuel growth, while maintaining credit quality, given the better non-performing loan rates among women-owned businesses. Further, women are thought more likely to prefer a unified arrangement with one bank than are men, thus there is an increased profitability potential that could come from cross-selling. In sum, growth and increased profitability can be had at a lower risk, if banks could address the women's market effectively. The banks that choose to do this early will establish a market leadership position that could be lucrative for many years.

Beyond achieving higher rates of growth, there are other national benefits that come from increased women's inclusion. Increasing women's access to finance and financial services, whether as SME or retail customers, contributes to greater financial integrity and stability at the national level.[4] Furthermore, research shows that closing the gender gap in business credit access could, by itself, increase national incomes by 12% in developing countries. Thus, the benefit to nations filters right down to the household level, potentially improving living standards substantially.[5] Importantly, whether they earn through enterprise or employment, women tend to spend and save money differently than men. Women are more likely to focus on expenditures that build human capital by educating and nourishing children.[6] These spending habits not only cultivate a high quality future workforce, but also contribute to the growth and strength of a middle class—an important element of stability for both markets and democracies.[7]

The Women Entrepreneurs Opportunity Facility Expands Credit Access for Female Business Owners

In response to the clear economic and social benefits that come from women's economic empowerment and recognizing that one of the most significant barriers for women entrepreneurs is access to finance, Goldman Sachs *10,000 Women* and the International Finance Corporation (IFC) launched a first of its kind finance facility dedicated exclusively to financing women-owned small and medium businesses in 2014. The Women Entrepreneurs Opportunity Facility (WEOF), will enable 100,000 women entrepreneurs to access capital through local banks in emerging markets. Both innovative and impactful, this public-private sector partnership has proved the strength of catalyzed co-investments from the public and private sectors, including the Swedish national pension fund (AP2), the Swedish government's Development finance institution (Swedfund), the Dutch development bank (FMO), the Overseas Private Investment Corporation.

WEOF extends lines of credit to local banks in developing countries so that these banks, can then use the funds to on lend to women entrepreneurs. Depending on the bank, the facility also often takes a share in the credit risk of the women entrepreneur borrowers, and provides advisory services to help the bank better understand and serve the women's market.

In 2016, Bank of Luoyang received a risk sharing facility under WEOF. Having access to this facility enables Bank of Luoyang to increase the amounts loaned to female entrepreneurs with established track records and clear investment needs for growth, but it also helps to widen the target market by making funds available to attract new women business owners to Bank of Luoyang's customer base. With advisory assistance from IFC, BOL began developing a strategy for attracting and retaining women business owners as customers.

A Buddha from the Longmen Grottoes, Luoyang

The business case for Bank of Luoyang's Outreach to Women

Bank of Luoyang is a local Chinese bank that serves the city of Luoyang and the surrounding countryside. Established in 1997, BOL now serves almost 3 million customers with 114 branches. At the end of 2017, BOL's total assets were US$31.9 billion. Luoyang, one of the oldest cities in China, is located in the Henan Province, a center for manufacturing, especially steel.

Changes in the Chinese economy and banking industry have significantly changed BOL's competitive environment over the past decade. Growth in Chinese banking has slowed substantially, mirroring the deceleration of growth in the national economy. Furthermore, changes in Chinese policy and regulation of the banking sector has loosened the traditional stratification of markets among banks and, as a result, the national commercial banks are now reaching deeper into local economies with the aim of capturing share among SMEs.

Over the same period that national banks were coming into the market, the number of local banks in Henan Province doubled. The new entrants offered nothing new, so the market became overburden with parity products and services. Online lenders also began servicing small businesses, making quick decisions by using credit history data. Though these lenders charge high rates and only loan small amounts, the pent-up demand for quicker access to money became evident.

All these influences have meant that established banks in the region are finding it more difficult to grow their assets and deposits, while experiencing greater competition for market share.

Within this environment, Bank of Luoyang's particular strength was in small-to-medium enterprises (SMEs), a segment where they command about 60% of the market. Though the bank has always served female entrepreneurs as part of this overall market concentration, women had not been specially targeted for either segmentation knowledge, product design, or outreach before the "Banking on Women" initiative Only 20% of BOL's total SME portfolio was comprised of women-owned businesses; however, 64% of Chinese businesses have some female ownership. On the other hand, the average Chinese bank's SME portfolio was only 10% women. And BOL's staff was already 54% women. Therefore, there appeared to be untapped potential for BOL to expand and a position of comparative strength from which to do it.

In sum, Bank of Luoyang's aim for a banking for women program was not to step into female entrepreneurship for the first time, but to strategically expand their existing customer base of women in all aspects of service, from retail accounts to business loans, beginning with a core of women business owners. Targeted thinking was new for the bank and BOL found the challenge attractive. Instead of "pushing" standard products at an undifferentiated base that happened to include women, they wanted to "pull" a defined "woman market" by offering intentionally differentiated products and services.

Developing the "Banking on Women" Initiative

Assisted by advisors from IFC, the bank conducted research into the market, then created, redesigned, or simply repackaged products to appeal to women. A key contributing factor to bringing these innovations to market was the signing of a risk sharing agreement under the Women Entrepreneur Opportunity Facility in November 2015. This arrangement provided a three-year facility to support a lending portfolio of up to US$145 million solely to female entrepreneurs.

The process of development occurred in four stages. First, exploratory research was conducted among representatives of the target market. Then, the bank assessed its existing offerings in the light of the research findings.

Next, the bank developed product concepts that aimed to meet the needs expressed. These product concepts were then presented to a second set of women entrepreneurs for feedback. Lastly, products and promotions were designed to roll out under the banking on Women initiative

洛阳银行
女性金融
Banking on Women


Sweets on a street market in Luoyang

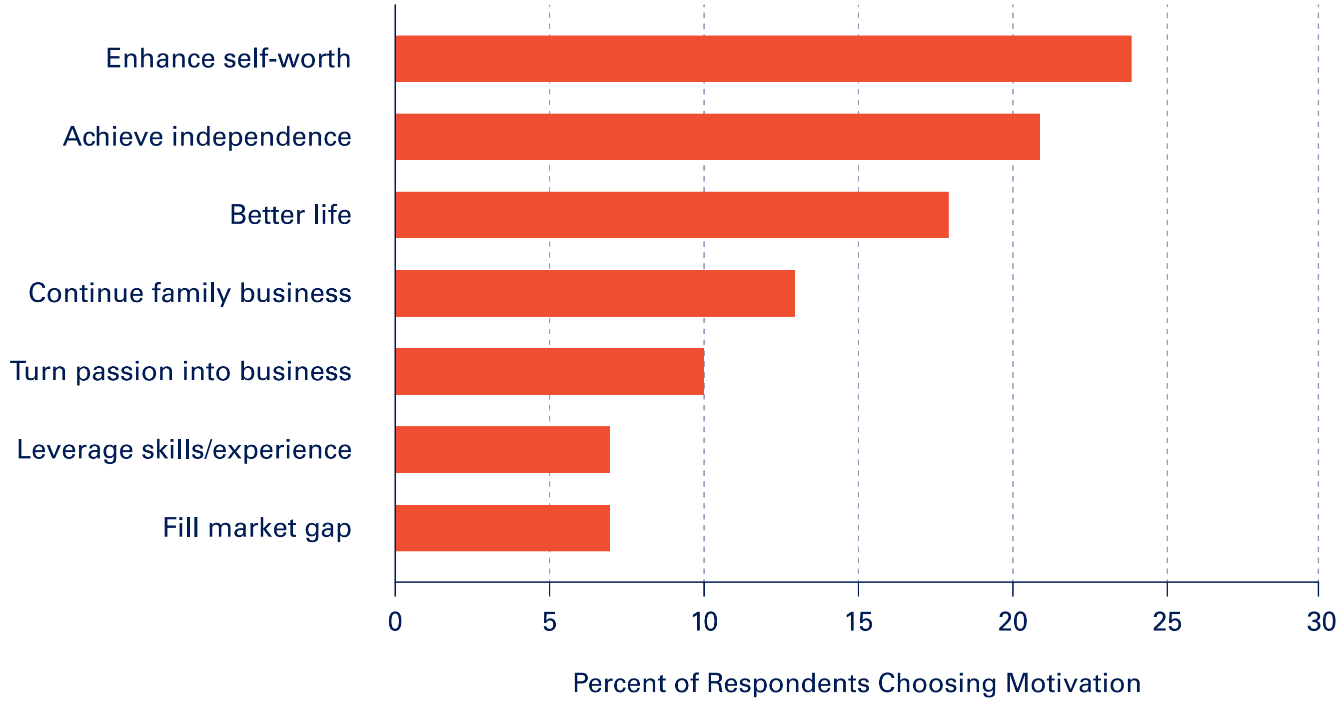
Initial Market Research

The next step was a series of focus groups recruited following the advice of the IFC. Purposive sampling was used to ensure certain demographics and business types were included. All participants also filled out a survey. Of the 48 respondents:

- Nearly 90% were between the ages of 30 and 50;
- About 65% had a college degree;
- More than 75% were married and 85% had children;
- About three quarters had been in business more than five years;
- About two thirds had some form of sales business, either retail or wholesale;
- Manufacturing was the next largest sector, but the percentages were only 6% in Luoyang and 2% in Zhengzhou, the two cities where BOL has most branches;
- In Luoyang, the range of annual sales for the enterprises was very wide: $470,000 to S2.35 million; in Zengzhou the range went up to $3.22 million;
- Business in Luoyang had an average of 40 employees, while the ones in Zhengzhou had 84.

As varied as their backgrounds were, the women showed strong similarities in their motivations for owning their own businesses. In general, they pointed to achieving autonomy, pursuing self-actualization, and creating a higher quality of life as their reasons for opening their own businesses—as opposed to being primarily driven by money. This finding is consistent with research among women entrepreneurs worldwide.

Women Entrepreneurs' Motivations for Owning Businesses:



Across businesses that were small, medium, large, and home-based, the top two business challenges faced by women were access to finance and accessing new markets. Other concerns were finding top-quality employees, learning business skills, and finding role models.

'As a woman entrepreneur, I have multiple role and limited time'

The respondents emphasized a problem common to working females around the world: time poverty arising from caring for family in addition to running a business. Specific feedback on service and offerings reflected this emphasis. Respondents emphasized that they wanted fast and simple procedures, convenient multichannel interface (including mobile and online), as well as convenient locations and operating hours and effective management of queues inside the bank, reflecting their need to maximize use of time.

The women wanted a broad offering that included financial products and non-financial services, not just credit. Where loans were concerned, they emphasized simple procedures, quick response, flexible credit terms, and competitive rates. They wanted to be seen as a valued customer, not a one-off transaction and felt the bank should evaluate them based on their growth and potential, not only on their collateral and guarantees. They also wanted the bank to use the same kinds of information that online lenders use—essentially credit history data drawing on utilities payments and the like—to document their credit worthiness. Financial arrangements also needed to respond to seasonal demand for a given industry, as well as economic cycles.

The women who were current customers felt that the overall service of Bank of Luoyang was good, especially because loan approval was generally fast and simple. However, they felt that the process could be streamlined for repeat customers and should be based on knowledge of the customer and her business, rather than solely on collateral and guarantees.

The focus group respondents had a distinctive set of demands for staff behavior. They wanted the staff to be "customer-centric." That is, they wanted bank staff to work towards finding individually-appropriate solutions, not just fitting everything to set procedures and offerings. The respondents wanted relationship managers to understand their business and industry, and to be transparent about processes and timelines for transactions. They wanted a professional demeanor and a caring attitude from their relationship manager, but they did not want to have to go out to dinner, drink alcohol, or exchange gifts to build the relationship, as is traditionally required in Chinese banking.[8] In these focus groups, as well as interviews the Oxford team conducted on the ground, the resistance to this practice was reiterated: women feel it is inappropriate for them to have to engage in such meetings.

'Every time I am treated like a new client; I want my bank to recognize and reward me for the loyalty and value that I bring'

Conversely, the women liked that the bank would provide safe networking platforms, business training, and access to experts as part of a non-financial services bundle. Though the women did not necessarily want a branding scheme of "banking for women," they did want products and services designed with

women's needs in mind and bundled in ways that anticipated the circumstances women face in conducting business. They liked the idea of a "club" for female entrepreneurs and would like to see more female relationship managers. They advised BOL that no other bank occupied a market position of "the bank of choice for women" and that this could be valuable market position to "own."

'I want my relationship manager to proactively approach me with financial solutions for my business'

In the focus groups, the women said they felt less familiar with the range of services and products on offer besides loans, but were open to other services, such as wealth management and payroll services—and would prefer to be working with a single bank for all their needs, both business and personal. However, winning this kind of business would require that the bank view the customer as a loyal client and reward her as such by streamlining loan procedures, creating a separate queue for existing customers, giving remission of fees for higher value transactions, and offering enhanced service for long term and high value customers.

'Being a woman entrepreneur can be lonely: I cannot talk to my family about business problems'


Old Town, Luoyang

Product and Service Assessment

With the knowledge from the focus groups in hand, BOL began to review its current offerings and to design and deliver products that would meet the needs of current female customers and attract new ones.

Existing practices for women business customers included two problematic features: lending against guarantees rather than collateral, and term limits on loans.

A woman-owned business could use **guarantees** in the following ways:

1. As an industry group "cross guarantee." Two or three women with businesses in the same industry could borrow together, each taking out the same loan amount and each guaranteeing the others' loans. So, for instance, each of three women in a pharmacy business could take out a loan for $60,000, for a total outstanding of $180,000.
2. As a personally-guaranteed loan. In this arrangement, the woman would recruit a friend or business associate to guarantee her loan. Most common was to ask a government official to make the guarantee.

The bank's intention behind this practice was to put the burden of credit enforcement on the women, rather than taking it on themselves. Because each woman would be highly motivated to maintain the credit, they would enforce credit standards on each other The bank also rationalized that the women would know more about each other, about the industry, and about each other's businesses than the bank could know.

The personal guarantee worked through social capital. The presumption was that a government official in particular would not guarantee a person without integrity, and that the woman guaranteed would not want to bring down such a respected individual.

So, in this case, the risk of embarrassment for either the guarantor or the customer was intended to enforce good credit behaviour.

From the customer perspective, the guarantee arrangements circumvented a problem that women-owned businesses face everywhere: having collateral to put up against a loan. Past laws and practices have tended to restrict female ownership of property and opportunities for more lucrative earning. Thus, it is usually harder for a female entrepreneur to come up with collateral. So, the guarantee arrangement replaced this problematic requirement.


Chinese traditional dragon mask, Luoyang

However, there were also problems with the guarantees. For example, the individual personally guaranteeing a loan often would not make enough money to realistically be able to repay the credit. In the cross-guarantee, each woman was exposed to the entire amount of the credit to the group, which limited each individual's chances of getting further credit to finance growth. A successful business owner could be penalized by the slower growth of the other guarantors, proving helpful in the short term, but potentially constraining in the long run.

Equally problematic was the term limit on loans – one year. The payment schedules further required that the women begin paying back the loan in three instalments beginning in the tenth month. Effectively, this meant that the full amount was really only available for nine months. Since most women were using this credit to finance capital assets, such as equipment, they were consistently repaying the loan and then immediately reapplying all over again.

There were several problems with this situation. The match between the term and the use was poor: long-term assets were being financed with working capital funds. The women were borrowing short-term funds often at very high rates from online lenders, to bridge the gap between each year's BOL credit. While men were also being held to this arrangement, they normally had access to other, cheaper funds than did the women. The need to reapply every year ate up time and made the women feel undervalued as loyal, dependable customers

Formulating Product Concepts

After similarly assessing the match or lack of fit between BOL's other offerings and the needs of the women customers, the bank developed a set of product concepts that included the following:

Fast and simple service. Loan disbursements in seven days. VIP channels for female entrepreneurs. Community banking outlets with extended operating hours and self-service processing.

Non-financial services. Business training in which professional institutions would conduct programs in finance and taxation. Family education in which expert institutions would offer seminars on the psychology and development of children. An annual awards conference.

Seamless banking across channels. Bricks-and-mortar community banks would be supported by seamless mobile and internet technology with the same transaction limits, but with robust security.

Value-added services. An array of services from payroll management to personal support like bill paying for utilities and insurance.

Cash management. Guaranteed interest rates, multiple options for term periods, limited liquidity to help mobilize idle capital and add to earnings.

Flexible credit. Revolving credit lines for working capital needs. Diversified repayment and guarantee requirements. Door-to-door service.

Concept Testing

In a second wave of focus groups, the women liked the proposals for flexible credit and diversified repayment and guarantees, as well as the seven-day turnaround for credit approval. They again emphasized that the credit arrangement was the centerpiece for the whole relationship: this part had to be right if cross selling of other products and services was to occur.

The women were also very enthusiastic about the proposal for nonfinancial services and the value-added services, seeing a major convenience for their time-constrained lives. Convenient locations, seamless multichannel interaction, and quick servicing were also appreciated.

On the other hand, deposit-oriented services, such as cash management, were going to require customer education. The women tended to believe it was not good to keep deposits and were unaware of how short-term vehicles could make use of idle capital and provide additional earnings. They did seem open to learning more.

Illustrations of the difficulties women were experiencing with the bank's offerings are included in the accompanying entrepreneur profiles (see sidebars).

New Offerings

After considering the input from the focus groups, Bank of Luoyang worked to develop products and services that matched the needs expressed by the respondents and to change features of existing offerings that were not working for women. At the conclusion of this process the bank decided to promote three new product offerings:

- **Continuous loans.** For qualified customers, twelve-month loans would be allowed to roll over, rather than being fully repaid annually.
- **Maternity Grace Period.** Special credit arrangements for women entrepreneur new mothers offering a grace period on payments on working capital loans during maternity leave, to allow some liquidity to purchase baby items.
- **Simultaneous personal and business loans.** Customers could apply for both personal and business loans through a single application and approval procedure.

And in 2017 BOL launched two products:

- **My Instalment Financing Plan.** This consumer finance product allows customers to apply for finance for specific items that may be repaid by installments.
- **My Wealth Management Plan.** This new product enables higher income female customers to purchase financial products with BOL special identity cards, which increases the ease and speed of accessing products.

A new series of training courses was developed with women in mind. The bank also set up a networking group for female entrepreneurs, which allowed the women to find each other for assistance, advice and moral support.

Still in development is a plan to offer online loans based on credit histories. Focus groups emphasized the need for speedy, convenient access to loans. And international practice has demonstrated that women have more financial access when lending institutions can see their credit history – because women are usually stereo-typed as "high risk" when in fact they are lower risk borrowers. Therefore, offering online lending will bring BOL in line with the competitive situation more geerally, but will also give a particular boost to business with women customers.

Lastly, BOL began reviewing its own procurement procedures to ensure they were gender-equal, a process likely to lead to more contracts with female entrepreneurs.

Women entrepreneur, and Bank of Luoyang customer, Duan Xueling in her pharmacy

Accomplishments and Results

A dedicated team of seven staff and two senior managers has been set up to implement the plans. With assistance from IFC Advisory Services, BOL has developed gender intelligence training for employees on the Banking on Women offering. Within the first year more than a thousand employees received gender intelligence training, covering all 114 BOL branches.

Performance measures linked to the Banking on Women initiative have been added to employee appraisal forms. Three Product Research & Development Centres have been established in Luoyang, Zhenghou, and Shenzhen. From these Centres, BOL has rolled out three new SME lending products, and a series of wealth management products for women.

More than 60 training and networking events have already taken place with 1,800 participants.

As a result of all this activity and effort over 2,000 new accounts have been opened for women including both retail and SME clients. From the launch of BOL's Banking on Women initiative to February 2018 the bank disbursed 557 SME loans to women-owned businesses, with the total value of USD$137.6 million, much of which was supported by the WEOF facility.

A steel component from the factory of women entrepreneur Bi Huaxia

The Global Benefit

Bank of Luoyang's "Banking on Women" programme design responded to all the needs expressed by women entrepreneurs in their research. While there are some variations specific to the national context, such as the treatment of guarantees, the changes in competitive and regulatory environment, the barriers faced by female entrepreneurs, and the need for banks to find new avenues for growth are quite similar across all regions of the developing world. Consequently, if more banks, in China and elsewhere, were to adopt this kind of programme, a strong upsurge in national growth could be expected. This, in turn, would improve wellbeing among citizens in those countries.

It bears reiterating two other macro benefits of spreading programmes like the one designed by BOL and IFC. The World Bank Group's Women, Business, and the Law reports that banking systems that include women are typified by more financial integrity and stability. Further, the spending behaviour of women, whether owners or workers, is consistently funneled into the cultivation of human capital, which not only helps secure a high quality labour force for the future—yet another source of growth—but builds a middle class—yet another source of economic stability. In sum, this investment in women's financial inclusion, like other investments in women's economic participation to date, holds potential well beyond the individual clients and banks involved at the local level.

Goldman Sachs 10,000 Women and IFC continue to expand their support for women's entrepreneurship and economic empowerment in a range of ways, including the ongoing growth of the Women's Entrepreneurship Opportunity Fund. Implemented on behalf of nations, banks, and citizens, these programmes are intended to bring peace and prosperity to developing nations everywhere.

With thanks to

Bank of Luoyang

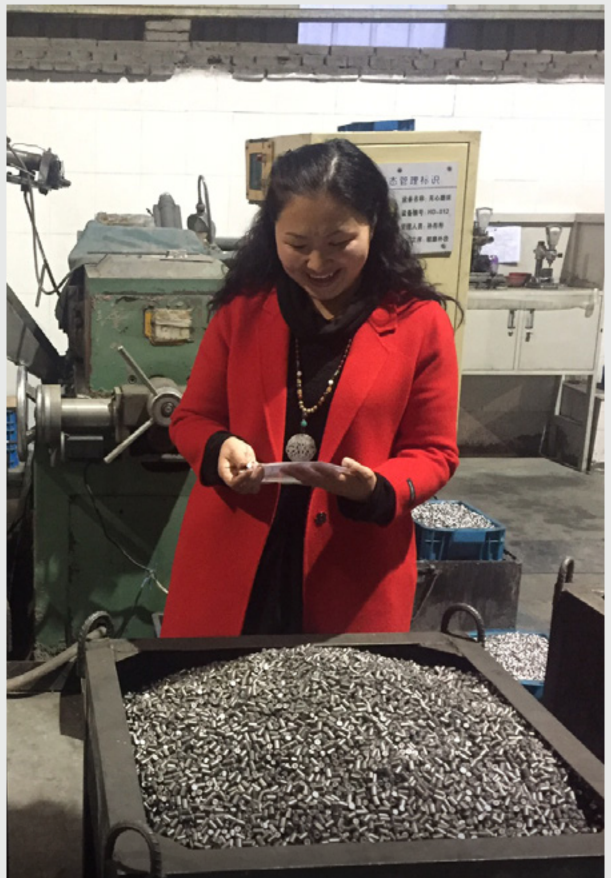
Yolanda Yun Zhu, Operations Officer, Financial Institution Group, IFC

Dr. Jing Ma and **Stephanie He**

Women entrepreneurs **Bi Huixia**, **Liu Hao** and **Duan Xueling**

Bi Huixia: Finance for a Woman in Steel

Cylindrical steel bearings, such as those made by Bi Huixia's factory, go through eighteen processes before they are ready to be used for cars, trains, or planes. In Bi Huixia's business, there is a quality check after each of the eighteen processes—and this has resulted in a perfect record for quality. This reputation for a 100% product is one reason that Huixia has been able to succeed in an industry traditionally reserved for men.


Women entrepreneur, and Bank of Luoyang customer, Bi Huixia in her steel factory

Early in her career, this successful business-owner worked as a trader in steel. In that job, she learned a lot about the business of buying and selling components for construction and equipment. She could see that there were bigger opportunities in production, rather than sales, so she set out on a plan to become a producer of steel components.

It took five years to acquire land, build a factory, and start production. Over the course of that time, there were significant capital requirements:

US$145,000 to acquire land and convert it to factory use

US$145,000 to build the factory

US $435,000 for equipment and materials

US$725,000 to start ups

These expenditures produced only one production line, which began operating in 2007. All that time, Bi Huixia had forgone income while she brought her idea to fruition.

This first investment came from the savings that Huixia had accumulated working as a trader. Once she had one production line going and could prove she was meeting a demand, she could borrow from a bank.

Huixia now has six production lines, all financed with credit from Bank of Luoyang. Her loan waas cross-collateralized through mutual guarantees among three female business owners. All were in the same business and all took out the same amount—about US$250,000.

Using BOL's product offering, however, means that Huixia must repay her loans every year, even though they are financing long-term capital equipment, and, she is exposed to the risk of two other loans, thus limiting her own borrowing options.

The new "continuous loan" product introduced specifically to meet women's demands will help her by allowing her to roll over her line of credit at the end of each year, rather than pay the whole back and borrow again. The WEOF facility makes it possible for Bank of Luoyang to share the risk, thus reducing the exposure in cross-collateralization.

Huixia has found success in steel, but it has not been without barriers. As a woman in a male-dominated industry, she often feels she is not taken seriously, is made to pay full price and in advance for her materials where men have better terms, and often must provide free samples to prospective buyers. Though she has earned respect and a place in the industry by providing perfect quality, her gender creates a greater working capital need than a man would have.

This experience, however, has made Huixia more dedicated to developing women as employees. She has sixty employees, nearly all of whom are women. The entire senior management, including the production manager, is female. She looks for ways to teach and develop them so there will be more women in the Chinese steel industry.

Someday, Bi Huixia hopes to produce whole products, not just the bearings, and plans to stick with Bank of Luoyang to realise her dream.


Bi Huixia and her female management team on the factory floor

Liu Hao: Finance for a Woman in Auto Services

The standards for auto emissions in China change rapidly, raising the bar for car owners while also demanding that emissions assessors invest in ever-newer technology.

Liu Hao's emissions centre was founded in 2014. By 2018, it was the second largest such facility in the Luoyang region—12,000 square meters, four service lines, and 45 full time employees. The space and equipment, as well as excellent employees, allow 2,000 cars a day to be checked, each taking no more than 30 minutes. This quick turn-around is a point of distinction for the business—no local competitor can match it.

Hao began the emissions business with her husband in 2012. The two of them invested their own savings, along with financial help from their families, into the business.

Liu Hao had owned a clothing business in the late 1990s, but she had to close it down when her mother and then her father became very ill. She worked as an employee in the petroleum business, before becoming involved in contracting for emissions testing. This is where she got the idea to enter that industry, which was growing alongside the steep increase in Chinese demand for cars.

Women entrepreneur, and Bank of Luoyang customer, Liu Hao in her emissions centre

Gaining a license to test auto emissions is a long process, which nearly always requires connections to someone in the government. Liu Hao worked through the process for two years and eventually bought a license from others who had one, in exchange for 20% of her business. She finally opened the doors to her shop in 2014.

The initial capital, about US$ 1million, soon had to be augmented to purchase and upgrade equipment, as well as to build a repair center that would allow customers to quickly make repairs and other adjustments required for certification. However, Liu Hao's first visit to a big bank was unsuccessful because collateral was required to secure the loan, which she and her husband did not have.

A friend told this ambitious entrepreneur about Bank of Luoyang. She was able arrange US$300,000 of credit by asking a wealthy friend to guarantee her loan. As the business prospered through expansion, Liu Hao reinvested her earnings. In total, her business is financed by $1 million in personal and family savings, US$ 300,000 in guaranteed bank credit, and about $500,000 in reinvested earnings.

The auto emissions industry has become very competitive during this period: the number of competitors has doubled from 203 to 408. Liu Hao feels that her gender makes it more difficult to compete in a field dominated by men, specifically because government connections continue to be needed even after the initial license is awarded. She identifies the requirement to socialize, especially at dinners involving lots of alcohol, as the main barrier for a woman in this environment. Not only does she feel, as do many other Chinese women, that it is inappropriate for a female business-owner to participate in such rituals, she also is so time-constrained by the combination of business and family demands that she does not want to spend time in this way, a bind that she also shares with other women in China and around the world.

Nevertheless, the business is booming. Liu Hao pays special attention to managing her customer base and it is paying off handsomely. She keeps a digital dataset of her customers and sends them reminders when their certification is up for renewal, as well as other auto-related reminders, such as a nudge that insurance is due. She is also creative about special services and promotions. One particularly successful service is designed especially for women. Since many women prefer to avoid auto service environments, a pick-up and return service is available. Liu Hao hires "DD" drivers (the Chinese equivalent of Uber drivers) to get the cars, wait for the service, and then return them. She does not charge the customers additionally for providing this service. The only reason she can do it at all is that her guaranteed half hour assessment makes the use of the driver feasible. It is a unique distinction in the market; none of her competitors can copy it because they can't do the assessment in such a short period.

Liu Hao's success story is inspiring, but it also illustrates several typical situations that women entrepreneurs, in China and elsewhere, experience. First, care obligations to her parents had kept her from having the kind of continuous working or business record that lenders prefer. Second, she did not have collateral to offer to secure credit. Third, she is torn between business and family care, which does not leave her free to spend whatever time is necessary on her enterprise. Yet she has built a massive enterprise, while also spending fifty days a year volunteering in her community and has established scholarships to help local youth finish school, thus illustrating a key reason why governments want to support women in their economies—the virtuous circle between women's incomes and community-building. Finally, the networking requirements for building and maintaining both banking and government connections are uncomfortable and inappropriate for her. A woman-focused strategy, such as is being pursued by BOL, directly benefits Liu Hao and others by addressing such gender-related difficulties, as does the availability of a dedicated facility such as the WEOF. With this kind of innovative support, more women entrepreneurs will be able to overcome typical barriers and help their country to grow.

Endnotes

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