

Women's financial inclusion: making sure no one gets left behind

Emily Farrimond, Baringa: Welcome to our Climate and Sustainability Trailblazers podcast with me, Emily Farrimond. Today we're discussing the very important topic of the role of women in the climate change agenda. And to help with that I'm delighted to be joined by Nithya Sharma, director of Global Strategy at Women's World Banking. Women's World Bank are an organization that creates greater economic stability and prosperity for women by designing and advocating for policy engagement, digital financial solutions, workplace leadership programs and gender lens investing. Nithya is focused on inclusive finance, fintech strategy and digital innovation. She's currently leading the development and implementation of Women's World Banking's ten year strategy to reach 100 million women with financial solutions. I'm also joined by Hortense Viard from Baringa, an expert in climate and sustainability strategy who's passionate about supporting financial institutions as they integrate climate and sustainability into their strategy and operations. Welcome both, and thank you so much for taking the time out of your busy schedules to join me. Nithya, it's wonderful to have you on our podcast and what great timing given the International Women's Day. Can you start by telling us a little bit more about your personal and professional interest in sustainability?

Nithya Sharma, Women's World Banking: Absolutely. First of all, it's a pleasure to be here. Thank you for inviting women's world banking and me to share our perspective. For me, this is a very personal journey. My father spent his career working in renewable energy at the World Bank, but in his retirement has now invested in bringing sustainable agriculture to our ancestral village in Andhra Pradesh, India. This is an area that's very prone to drought and the challenges that come with that from a financial perspective, including over indebtedness, for example, in order to support one's livelihood. So seeing changes that we've been able to make in teaching the farmers that we work with more sustainable techniques, including more sustainable irrigation techniques, again, in an area that's prone to drought, enabling them to increase their crop yields and have access to markets to sell their produce. So personally and professionally, I've seen how climate change can affect those most vulnerable, as well as the opportunities that come to innovate and build solutions that support these communities to adapt and mitigate these effects. So for me, it's an interrelated story that's deeply personal.

Emily Farrimond, Baringa: And that's fantastic and fascinating, thank you for sharing that with us. And Hortense. Can I ask you to introduce yourself as well and let us know a little bit more about why this topic is important to you?

Hortense Viard, Baringa: Yes, absolutely. And thank you Emily for inviting me. I'm super glad and excited to be here. So, first of all, just a quick introduction of myself. I work in our climate and sustainability practice for Baringa and I'm actually helping financial services embrace these two important topics of climate change and sustainability as part of their operating model from a personal standpoint, why I'm passionate about this topic, it goes back a little bit to my professional life, I've always worked with financial services. Whether as a consultant or directly in the industry and as I was involved in my career, I was evolving and at the same time raising my two kids. I started to feel a lack of purpose in my professional life and I didn't feel like it was really adequate, I mean adequacy in the way I wanted to raise my kids. So and I wanted them to pay attention to these very important topics, especially for our young kids, thinking about how the world is evolving. So when I started to realize that financial services have actually a big role to play in supporting the transition to a low carbon economy and a more sustainable world overall, it all made sense

to me that I wanted to be part of this journey and I wanted to spend my energy and time helping my clients to really embrace this topic. So that's all how it started. And obviously as a woman in a quite male dominated industry, I've always been a strong advocate of women empowerment. So the interconnection and intersection between these two topics, mitigation of climate change in the women population, is fascinating to me.

Emily Farrimond, Baringa: Fantastic. And I certainly know some of your responses there resonate with me as I'm sure they do with many of our listeners. So last year, Baringa and Women's World Banking partnered to analyze the interconnections between gender, financial inclusion and climate change, with the aim of increasing awareness around the impact of climate change, specifically on women. Nithya, Can you tell me a little bit more about why Women's World Bank feels that climate change is an important topic for women? And help us to understand the work that you're doing in this space?

Nithya Sharma, Women's World Banking: Absolutely. So, we see the impact of climate change from two different perspectives. One, you know, the low-income women that we work with are really the ones that are most affected. I think for we're all familiar with some of these stats, but, you know, of the 1.3 billion people living in poverty, nearly 70% are women. Women are highly overrepresented in the agriculture sector, which is predominantly affected by climate change. We're also seeing here, you know, the first of unfortunately, what we're calling climate refugees. Those who are displaced. And, you know, there's evidence that suggests nearly 1.2 billion people could be globally displaced, the majority of whom are going to be women and girls, 80% of whom are going to be women and girls by 2050. And so, again, you know, we see that women are the most vulnerable segments to be affected by climate change. But we at Women's World Banking really see that as the opportunity, right? Our whole work centers around, including women, including women's voices in the design of solutions. And as we innovate because those who are most affected are best positioned to tell us what works for them, what doesn't work for them, and what is really going to make that difference. And so including women leaders and women's voices at the center of this debate around climate change is really, is really core to what we do, I think. You know, last year we had COP 27, you know, the global conference, but only seven out of 110 of the leaders represented there were women. So again, you're seeing that shocking disparity. And so when you're not at the table, you're not having a voice, you're not able to advocate for what works for you. And we really see our role as being able to bring those women's voices to the table. The way that we're doing that, obviously, you know, we have a very rigorous and robust research department that really takes the time to understand these women's voices, their behaviors, their challenges, and elevate that into insights that that we can share globally. Our solution design, we have we deploy a very unique women centered design approach to how we develop different products and solutions that again put the woman's voice at the center and do rapid innovation work to understand what works and what doesn't work. We're also advocates and influencers, right? And I think that was one of the great partnerships that we had last year with Baringa, where we were actually able to have a workshop with a global network of over 60 institutions reaching nearly 140 million women. And so by partnering with organizations like yourself and putting our thought leadership and the collective thought leadership out there in the forms of workshops as well as, you know, the blog post that we were able to collaborate on, you know, these are the ways that we really see elevating these voices and bringing that intersection of gender, climate change and financial inclusion. We really see financial inclusion, which is our core mission, as a way to build that resilience and that security so that women can adapt to the realities of climate change, because at this point it is a reality, right? So, it's really about mitigating and

adapting at this point. And we see the security and prosperity that can come from access to different financial services as being core in that.

Emily Farrimond, Baringa: Thanks for sharing that. And this are some really quite surprising and shocking statistics there, right? In terms of both the impacts of climate change on women, but actually how we're represented at the table around climate change and how we can really, really move the dial around that. For those of you who've listened to our previous podcasts, you know, at Baringa, we talk a lot about the concept of a just transition. And actually it's at the heart of the work that we do in the industry. Hortense, can I ask you to share the key areas where you feel financial services can support in delivering a just transition?

Hortense Viard, Baringa: Yeah. And as I mentioned in my intro, I see the role of financial services being quite critical because if you think about it, they decide where to allocate capital and to whom. Right. And as we're seeking to make the world more sustainable and more equal across genders, there's absolutely a need to integrate environmental, social and governance criteria in lending and investment decisions and aiming to align sustainable development goals. This don't come without challenges, to be very honest, because as financial services starts thinking about how to mitigate climate risk, there is a risk that specific lending investments are going to be put in place and might negatively impact low and middle income communities, including women. And in my mind, that's where just transition is so important and comes into the picture. And it is basically finding the right balance between yes mitigating the climate risk. It's coming and it's impacting financial services, but still pursuing and pushing the ESG agenda and goals and funding lower income communities. So the institutions who will actually be the first ones and will manage properly to bring those two main strategies together and in my mind as of today, still need to be siloed. And that's where we're helping our clients to brings these two components together, having a good climate mitigation strategy, but while still funding lower income communities, in my mind they will be the winners within financial services.

Nithya Sharma, Women's World Banking: And Hortense, I actually want to pick up on something you said because that's exactly kind of the space that we work in, and we really don't see that as opposing. We really do see that investing in these, you know, lower income segments, you know, low-income women. In our case, we really believe that that is the business case. Right. It's not just the socially right thing to do, but it's also the smart thing to do from a business perspective. So when you think about ESG investments, you know, the pathway forward is to really prove out that ESG investments are actually driving both social goals as well as business opportunities and business growth. And I think we've seen that. And I think that's where the story should continue to evolve so that you're not having conflicting arguments between, you know, do I serve a low-income segment and or, you know, do I mitigate climate change? I think you do one by doing the other.

Hortense Viard, Baringa: Yeah. Yeah, exactly. And financial services institutions are trying to address that it's top, in front of everyone's mind. But it's just very difficult to prep together because there are so many criteria. So, it's a fascinating topic.

Emily Farrimond, Baringa: And Nithya just broadening out your thinking there, how does that relate to kind of the broader topic of women's financial inclusion and the work that you're doing at Women's World Bank.

Nithya Sharma, Women's World Banking: Yeah. So, for us, you know, again, when we think about I mentioned earlier, you know, our women centered design approach, putting

women at the at the heart of everything we do. It's not about designing something special or unique for women, right? It's not about the pink credit card or something like that for women. It's really about understanding what are the barriers that women face. And in our 40 plus years of work, we see that women face unique barriers and challenges to access to finance, whether it's mobility constraints in certain markets, social, cultural norms, biases. Right. We actually did some work last year on algorithmic bias in credit lending and looking at different ways that even AI models can be biased. And, you know, you start filtering out women even at the top of the funnel before they can even get to a credit assessment. And so, again, it's about understanding these unique barriers and challenges and going through a human centered design approach to design around that, right, designed for them and around them so that these products work for women. And I want to make the point that when we say design for women, we never mean that you're exclusively designing for women. It's not designing for women at the exclusion of men or other segments. It's really about designing for everyone. And the research is borne out when you design with a gender lens in mind or a gender focus in mind, you're actually opening up the markets to anyone because these barriers and challenges, though they may be at a different degree, are also present for men, right? You know, nobody wants to sit in a bus for 8 hours to go to your nearest bank branch if that's the nearest, you know, location that you have, whether it's a man or a woman. Women have unique constraints in the sense of they may have more responsibilities at home that may prevent them from being able to do that. But by solving that challenge, you're actually opening up access to all segments. And you're again, you know, we were talking about the business case and that business opportunity. Yeah. You know, you're growing the pie for everyone, right? So from a financial institution perspective, that's really what we want to work with our financial institution partners to do is break down these barriers so that they are actually expanding the pie for everyone, creating, again, both the social impact and the business goal.

Emily Farrimond, Baringa: And thanks Nithya for confirming it's not about pink credit cards. So I'm glad that we're focused on, you know, much broader financial inclusion and genuine purpose. And I think it's a really, really important point you're making that around actually almost people are unwittingly excluded and therefore just being a little bit more thoughtful about inclusion and how you ensure that certain segments of society aren't excluded is, is really, really important.

Nithya Sharma, Women's World Banking: And I want to just jump in sorry one more time. We did some consumer research with women customers in Kenya a few years ago. This quote will never leave me. This one woman, business entrepreneur, small business, you know, MSME owner, she said, "Treat me like the boss I am" you know, And that's all they want, right? That quote you know, this is a few years ago but it sticks with me, right? Treat her like the boss she is. She doesn't need a special product or special consideration. She just wants to be acknowledged as an equal and her challenges, her unique situation taken into account. And so I just thought that that was a powerful quote that I wanted to share.

Emily Farrimond, Baringa: Fantastic. Thank you for sharing that. Back to you. Hortense, just on the back of that, in your mind, how can the financial services industry therefore provide the support needed to deliver that just transition? And what role do you think kind of policy intervention or public advocacy needs to play in supporting women's financial inclusion in the face of climate change?

Hortense Viard, Baringa: Yeah, and before I answer your question, I love the quote and I think I'll probably use it more and more with my clients because I think it's a perfect

introduction point on this topic. But to your question Emily, many financial services, especially in the US, to be fair, are doing already quite a lot on the social side of ESG. There's a lot of philanthropic activities. It's always been part of the strategies of financial institutions and strong focus on low income communities, with affordable housing products to minorities, minority population, etc. So there is essentially a lot of funding allocated to those communities. But what is probably lacking is a super just ending the impact of climate change on those communities and what can be done through training, education around climate change and specifically client engagement. So the more, in my opinion, the more women and the more communities within lower income communities understand how they might be impacted by climate change. And but also what are some of the opportunities actually raised by the transition, the better outcomes we'll get from the transition, Right, Because again, it's based on understanding the impact and understanding the opportunity. So client engagement on financial services, making sure relationship managers go talk to those communities is fundamental in my opinion. From a policy standpoint, it's actually interesting because we're seeing the US regulators being more and more focused on lending criteria that could impact LMI communities again. So we've been working with a large US bank in the past couple of months and, and one of the US regulators has been asking about progress made in climate risk management and also progress made in embedding specific lending criteria to climate risk. And one of the key questions that they had top of their mind was how do you make sure that it doesn't negatively impact low medium income communities? So the regulator is actually pushing the needle and really trying to make sure that financial services again brings these two components together. So we're really seeing the policymakers and the regulators taking action here.

Emily Farrimond, Baringa: And do you feel like you're seeing them? Are clients in financial services responding in a positive way to that push, they're seeing.

Hortense Viard, Baringa: Yes. Yes. One of the key things that some of our clients are doing on the back of this push from the regulators is to start thinking about key risk indicators and key metrics that they can actually start implementing, just to make sure that picking an example, how much climate risk assessments have I done on specific counterparties in the past year and resulting from those climate risk assessment did I see an impact on the number of loans and lending that I produced to my low and middle income communities? So it's not, I don't think there is maturity enough yet to fully integrate that as part of their climate risk assessments, but there is at least a desire to start monitoring potential impact on total funding addressed to low income communities, which is a very good sign.

Emily Farrimond, Baringa: Moving in the right direction, but with probably quite a lot more to work to do, is that fair. Nithya, back to you. I just wondered what your take is on how financial services institutions can do more to support women's financial inclusion.

Nithya Sharma, Women's World Banking: Yeah. And I would actually like to pick up on a few of the points that Hortense was talking about in terms of policy advocacy and things like that. I really see three roles that financial service providers can play. And let's start at the top. Right. I think the first is, you know, systemic change, which comes from policy advocacy and advocating for systemic change to improve access to finance for everyone. Right. And that's a big part of why Women's World Banking does policy work is because we want to make sure that the ecosystem is a place that both the financial service providers as well as the women clients, can thrive and access the resources they need. So that's number one. Number two, and this is where Women's World Banking plays a role as

an investor, right? So we actually have a private equity investment fund arm that actually invests in these institutions. Second role is actually to build a gender diverse team within the financial service providers, right? The theory being that the more diversity you have, the more gender diverse your teams are, the more likely you're going to be to focus on a more diverse client base, including low income women. At the end of the day. Right. So really focusing on elevating the voices of women leaders and the capacity building of women leaders. And then at the grassroots level, it's really about, as we talked about, designing for women. And I think, you know, we talked a little bit about what that looks like at Women's World Banking. But again, focusing on your end user and understanding their pain points and challenges and making sure that your product isn't exacerbating barriers and that it's actually unlocking barriers so that they're able to see the value in your solution and the use case for your solution. So, you know, joining us in policy advocacy, building the capacity of women leaders and then at the grassroots level, designing for, with the end customer, the woman customer in mind.

Emily Farrimond, Baringa: Fantastic. And Nithya you talk there about the funds that you have in the market. And as you know, we've seen an explosion of sustainable financial services products in the market. Could I ask you to share your thoughts on how sustainable finance products such as ESG oriented funds can support in fueling a just transition.

Nithya Sharma, Women's World Banking: Yeah. And, you know, when we think about a just transition, you know, for me, I define that as making sure that nobody is left behind. Right. That everybody from, you know, the wealthiest to the most vulnerable are brought along and offered the same opportunities to support themselves, their families and their communities. And so when I think about investments, you know, I really think that the voice of an investor carries a lot of weight. Right. And I think that's why the role of an investor is so important in facilitating this just transition. Especially, you know, one of the reasons that we take on this gender lens investing role is because, you know, as an investor, we can influence management, right? We can say, hey, we need these reports, we want you to report on these certain statistics and measure. And, you know, I think the thing is, you know, what matters gets measured or what's measured matters. Forget how it goes. But the idea being that, you know, we can hold the financial service providers accountable to the vision that that they set out when we invested. Right. We invest because they claim that they want to support women and drive more products for women customers. And then as an investor, we can say, okay, this is how we're going to hold that accountability. And so I think that's why the role of an investor is so important and why we do believe that gender lines investing is the way, you know, is one of the ways forward to facilitating that that just transition.

Emily Farrimond, Baringa: Fantastic. And anything you want to add on that, Hortense.

Hortense Viard, Baringa: I totally second that, I would just highlight one challenge that we are seeing at the moment, and I know policymakers and regulators in the US and in Europe and UK are trying to tackle it, is a lack of a bit of consistency in the way some of the criteria are being applied to specific ESG or impact fact funds. And also we're seeing growing demands from everyone, from clients, stakeholders all around the world. There is a little bit of doubt and I think hesitation sometimes to go on these accounts because the use of proceeds is not very clear. So you've probably heard, both of you, that we have a lot of different cases around greenwashing cases, some financial institutions here in the US are being fined by the SEC because of poor criteria being used as part of their ESG fund. So in my opinion, I think the purpose, the objective is here the demand is here. There

is just a lack of robust process and consistent process going on. So the more policymakers, again, can help bring in this consistency in terms of which criteria are being used and what are the threshold to be used to define a fund impact or just transition fund. In fact, I think that that's really where we're going to need to push forward in a couple of next years.

Emily Farrimond, Baringa: Agree. And I think it's an important point you raised there around greenwashing. You know, we need to make sure that these investments are really, really credible and it's really, really clear to everyone exactly as you say, the use of proceeds and that we I think, not protect the market, but make sure the market is as transparent and as credible as it possibly can be.

Nithya Sharma, Women's World Banking: And I think, you know, for us that transparency is key, right? You know, when I spoke earlier about the pink credit card, you know, we actually call that pink washing, right? So you don't want a pink wash, you don't want to greenwash. You really want to make sure that what you're doing at the end of the day is addressing the root problem and addressing the end result that you're hoping to achieve and the transparency to make sure that you're holding yourself accountable wherever your role may be. You know, as an NGO, as an investor, as an investee. I think making sure that you're transparent with the results you're achieving so that you can track where you are in and make sure that people buy into it. Right. Because this is a movement and this is still the nascency of this movement.

Hortense Viard, Baringa: And investors are striving for this transparency. That's right. So yeah, exactly. Yeah. Yeah, exactly.

Emily Farrimond, Baringa: So we've talked a little bit about the importance of public advocacy and external intervention. I'd quite like to explore what we think companies and our listeners in fact can do internally within their organizations to support women's inclusion. Nithya, have you've got any thoughts on that.

Nithya Sharma, Women's World Banking: Yeah. I think, you know, immediately one thing that comes to mind, you know, as I talked about, there's different roles for a company, right? So the easiest one is to really look at yourself. Take a look at yourself and look at your internal gender diversity. Right. And really think about how am I supporting my women, my women staff, my women leaders, my women employees throughout their journey from the moment that they're recruited all the way through promotion and retention. Right. So when you look at your customer or your employee journey, excuse me, you know, really think about how you can develop your women talent and elevate their voices because the more diversity you have around at your table, the more brilliant ideas you are going to get in terms of how to grow your business, grow your market opportunity, as well as, you know, supporting the segments that need to be supported. So I think exploring, you know, we offer our global leadership training primarily for regulators, but as well as, you know, some customized programs for financial service providers to build the capacity of high potential women leaders within regulatory bodies, as well as different institutions. So I think, you know, that that's the first thing that that that that comes to mind for me. And then, you know Women's World Banking is always happy to talk about our women centered design approach and how do how then do you translate those ideas that these brilliant, diverse people are going to bring to your table? How do you translate that into actionable results? Right, tangible business results. And that's through that product innovation piece that I think, you know, can, come together. And then finally, you know, we always welcome anybody who's interested to join us and to learn more about the work that

we're doing. Shameless plug. We're actually having our first in-person summit "Making finance work for Women Summit" in three years, so the last one was in 2019. This year, it's going to be held in Mumbai, India, from May 23rd to May 25th, and we can share the details, however appropriate, via the podcast. But we welcome those interested to join us and to learn from others for innovating in the space of financial inclusion, climate change and digital innovation. And I think, you know, those forums where leaders can come together and really talk to one another and learn from one another I think are powerful assets as well.

Emily Farrimond, Baringa: I agree and sounds fascinating and fantastic event to look forward to in Mumbai in June, Hortense is anything you want to cover in terms of the action individuals and companies can take to support with this agenda?

Hortense Viard, Baringa: Yeah, I mean, the one that comes to mind and building on what Nithya was saying is the anchoring into DE&I strategies. So obviously I'm thinking about financial institutions. A lot of financial institutions have existing DE&I structures, but growing this structure and growing the work stream and the working group and again, anchoring into what is the broader ESG strategy, what are the sustainable development goals that we are trying to address? Because let's be clear, I don't think financial services can do it all, but they have to be part of it. So really linking those, I think a little bit more strategic thinking about how those things get together. So and then anchoring to the DE&I strategy, as part of their sustainable development goals and objectives. And one of the things we've seen through several DE&I activities, actioned by our clients in the past is really anchoring into training as well, right? So there is probably with financial services, a little bit of a shift in the mindset that needs to happen to really foster women inclusion work within the companies. And we're seeing more and more trainings being considered as mandatory to help with this, with this change in cultural mindsets. So that's one which is obviously a key focus of our companies and our clients, and that's we're helping with. Another element, which is probably more coming from the external stakeholders and coming from external policies, but does have an impact on the DE&I agenda and women's inclusion is more and more states in the US are actually asking for more diversity in specific goals. So if you take the example of California or New York, they are quite progressive in terms of really putting the diversity agenda on top of the of their requirements. And it actually has an impact on how the financial services sector address that and it moves the needle. So those two components are obviously changing the culture, the mindset within the company, but then also looking at what good looks like from a US perspective. What are the most progressive states doing? And what is the information they are now requiring, especially from a disclosure standpoint, bringing all those components together to help form a very good strategic DE&I initiative. That's how our clients are thinking about it and where we're helping them with it at the moment.

Emily Farrimond, Baringa: Fantastic. I'm sorry to say that, unfortunately, we've run out of time for today. I wanted to thank both Nithya and Hortense for your time. I have massively enjoyed our conversation. I really appreciate you taking the time to share your insights. And of course, thank you to all our listeners. If you enjoyed the podcast, please do follow like, share and look out for future instalments of Climate and Sustainability Trailblazers.