

Investing in Women to Promote Sustainable Development



Zhengyun Zhou, Researcher, IIGF, CUFÉ;

Lin Shi, Deputy Director of International Cooperation and Research Department, IIGF, CUFÉ



In 2024, the Green Finance Committee of the China Society for Finance and Banking established a new research group focusing on financial support for women's sustainable development, providing a platform and opportunity for exploring gender finance and broader sustainability issues. As the leading institution, the International Institute of Green Finance (IIGF) at the Central University of Finance and Economics (CUFE) conducted a baseline study on financial support for gender equality and women's empowerment, as well as research on financial support for the development of women-owned microenterprises under the impact of climate change, with the support of the United Nations Entity for Gender Equality and the Empowerment of Women (UN Women) and the International Finance Corporation (IFC). Simultaneously, supported by various stakeholders, IIGF arranged several seminars and salons, offering a platform to foster the exchange of gender-inclusive financial practices among institutions. On the occasion of International Women's Day, this article will highlight selected findings and conclusions from projects supported by IFC, sharing exemplary approaches of financial institutions in advancing women's sustainable development. The article seeks to increase stakeholders' awareness regarding the significance of integrating gender considerations into their efforts for sustainable development.



Diverse Roles of Women in Climate Change

During the "Female Leadership in Sustainable Finance" seminar at IIGF in 2023, an IFC expert proposed considering women's influence on sustainable development goals from five perspectives. Firstly, women play an indispensable leadership role in the field of climate change. As leaders, women have demonstrated outstanding leadership and innovation in environmental protection and sustainable development. Women tend to support sustainable development and environmentally friendly policies more often, with many leading climate movements. They play key roles in guiding communities, businesses, and governments to collaborate in tackling climate issues. Studies have demonstrated that a 1% rise in the proportion of female managers in a company is associated with a 0.5% reduction in carbon dioxide emissions [1]. A 2023 survey by IIGF revealed that in China, companies embracing diverse gender representation in management have emerged as a significant factor in advancing sustainable development and adopting green, low-carbon practices. Our findings indicate that female entrepreneurs in micro and small businesses, in particular, are acutely aware of the effects of climate change on enterprises. They acknowledge

that incorporating sustainable development strategies and initiatives into business operations presents substantial opportunities for sustainable growth for both the companies and the market. Women in leadership roles bring diverse perspectives and a wider outlook, contributing to the development of more inclusive and holistic climate change policies.

Secondly, women are more sensitive to climate change and can promptly propose context-specific feasible solutions. As employees, their involvement is crucial for driving the implementation of sustainable development strategies within companies. By advocating for environmental initiatives and fostering innovation within the company, female employees significantly contribute to shaping a corporate culture aligned with sustainable development goals.

Additionally, female entrepreneurs have a distinctive impact on fostering innovation and sustainable business models. They are more inclined to focus on social and environmental issues, dedicated to exploring innovative solutions, and demonstrate a stronger commitment to green entrepreneurship and corporate sustainability. They actively advocate for and support environmentally friendly business practices.

Moreover, women hold a significant position as primary consumers in both household and social spheres. With control over 80% of global purchasing decisions, their choices directly shape the market trajectory for goods and services. Through investment in women, there exists the potential to guide consumer preferences towards environmentally conscious and sustainable pathways, thereby encouraging businesses to adopt more sustainable commercial frameworks.

Ultimately, women typically place a strong emphasis on the welfare of their communities and families. They often take on essential roles within their communities and are more inclined to invest in education and healthcare. Additionally, they are more inclined to provide climate-resilient and gender-inclusive services to their communities, contributing to both social and economic sustainability through job creation and community development initiatives.

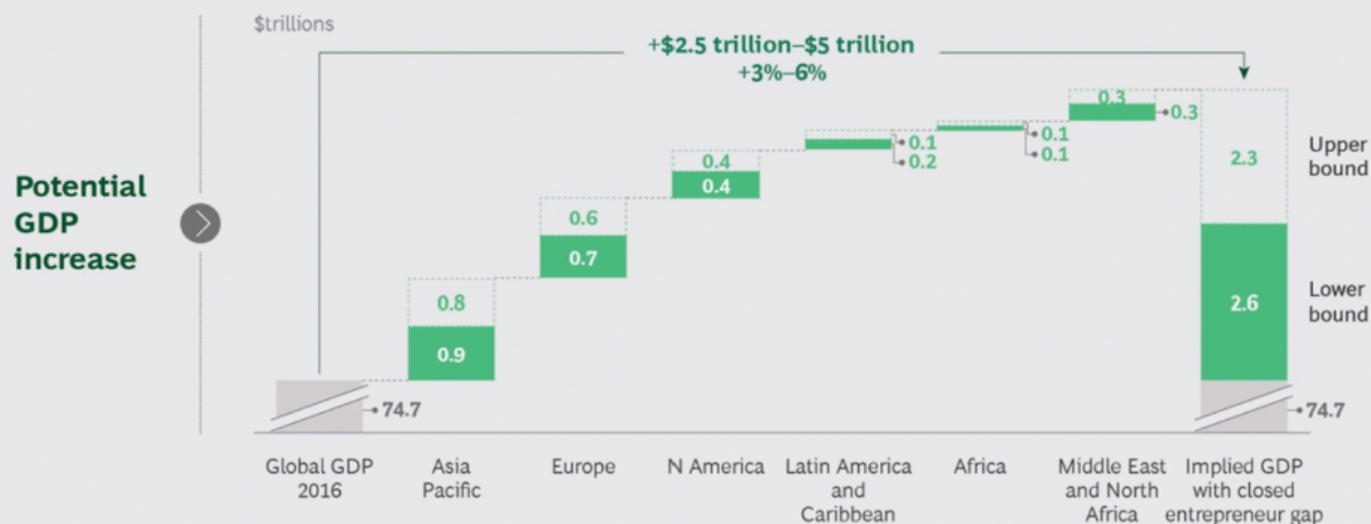
Women commonly play multiple roles simultaneously, exemplified by initiatives like the "Carbon Hut" (碳小屋) project initiated by LVDOYA. This project, designed as a community-level IoT technology innovation for the circular economy, stands as a notable illustration of a company catalyzing broader societal green initiatives. The "Carbon Hut" initiative not only facilitates residents in achieving carbon neutrality in their daily routines and consumption habits but also underscores the determination of female entrepreneurs to advance societal well-being through eco-friendly, low-carbon endeavors.

Ms. Sherry Lian, the founder of the Carbon Hut initiative, is dedicated to achieving carbon neutrality as the primary objective guiding the establishment and strategic development of the enterprise. Through active engagement in international climate change initiatives, extensive dialogues with domestic government bodies, and comprehensive community surveys conducted in Sichuan, Guangdong, Yunnan, Shandong, and Inner Mongolia, she has identified the promotion of infrastructure and provision of public services as vital measures for fostering carbon-neutral habits and sustainable behavioral patterns essential for driving societal low-carbon development. Therefore, Ms. Sherry Lian and her team introduced the "Carbon Hut" intelligent carbon-inclusive product tailored for community-level usage. Their objective is to advance low-carbon and environmentally friendly progress in society by expanding the implementation of these "small yet beautiful" (小而美) carbon-inclusive solutions. Looking ahead, these compact and impactful initiatives can be embraced across China and countries along the Belt and Road Initiative, offering a strategic response to climate change. This widespread adoption will facilitate the extensive establishment of "dual carbon" infrastructure, leading to enhanced carbon reduction outcomes. By partnering with local communities, the "Carbon Hut" initiative has formed a volunteer team of several hundred individuals focused on community waste sorting, with more than 90% of its members being women. The successful implementation of the "Carbon Hut" project not only provides extensive employment opportunities for women but also underscores the pivotal role of women as the cornerstone of social sustainability.

Returns of Investing in Women

Investing in women is not only a social responsibility but also an investment with substantial returns. Research indicates that enhancing the role of women in both corporate and societal realms not only fosters a more inclusive and innovative environment but also directly stimulates economic growth, yielding commercial value. The IMF's 2016 research report highlighted that companies with a higher proportion of women in senior positions demonstrate significantly higher Return on Assets (ROA). Substituting a male executive with a female counterpart in senior management or corporate boards can result in an increase in ROA by 8–13 basis points. Especially in industries requiring high levels of creativity and critical thinking, such as knowledge-intensive and high-tech sectors, the inclusion of each additional female member in the board or senior management correlates with a roughly 30 basis point increase in return on investment [3].

Closing the Entrepreneurship Gender Gap Could Boost Global GDP by Up to \$5 Trillion



Sources: Global Entrepreneurship Monitor; World Bank; BCG analysis.

Note: Figures are based on the most recently available gender data on entrepreneurship. Potential GDP increase was calculated by identifying additional jobs created by closing the startup gap and the sustainability gap in entrepreneurship between men and women in each country, with additional employment from entrepreneurs themselves as well as from employees hired by the new businesses. Analysis is based on data from 73 sample countries extrapolated to 178 countries.

According to a 2019 analysis by the Boston Consulting Group (BCG), achieving gender equality in entrepreneurship globally could lead to a potential growth of 3% to 6% in global GDP, resulting in a \$2.5 trillion to \$5 trillion boost in global economic growth. Additionally, startups founded or co-founded by women generate cumulative revenue 10% higher than those initiated solely by men within a five-year period [4].

The involvement of women in decision-making processes fosters a broader range of viewpoints and innovative ideas. Encouraging and developing female talent enables businesses to more effectively respond to changing market and societal needs, improve their capacity for innovation, and achieve competitive advantages. Additionally, women tend to prioritize long-term values in investment and business strategies, emphasizing corporate social responsibility and sustainable development over short-term financial gains. Furthermore, investing in women presents businesses with the opportunity to develop additional market avenues. Meeting the needs of female consumers aids in exploring untapped segments of the market, further expanding commercial horizons and fostering mutual benefits. Therefore, investing in women not only supports the long-term sustainability of businesses but also offers investors more stable returns.

Moreover, financial institutions can develop and launch gender-friendly loan products to support female entrepreneurs and businesses. These loan products may include features such as low-interest rates and flexible repayment conditions, easing women's access to financial assistance and facilitating their progress in the business domain. Financial institutions and investors can also establish funds specifically dedicated to investing in women's entrepreneurship and development. These funds not only provide financial support to women but also encourage greater investor involvement in advocating gender equality.

Additionally, financial institutions can provide financial literacy training and education tailored to women, enhancing their financial capabilities and enabling them to gain a deeper understanding of the financial markets, make informed investment decisions, and enhance economic independence. Moreover, financial institutions should actively formulate and implement gender equality policies to ensure the absence of gender discrimination in recruitment, promotion, and compensation, thereby creating a fair work environment to attract and retain a greater pool of female talent.

For example, in 2020, the IFC invested \$200 million in privately placed gender and green bonds issued by Indonesia's Bank OCBC NISP with the aim of expanding financing for Indonesian women-owned small and medium enterprises (WSMEs) and green projects. This effort includes implementing two sets of performance-based incentives (PBIs) related to climate and gender lending, utilizing OCBC NISP as a platform, supported by the UK-IFC Market Accelerator and the Women Entrepreneurs Finance Initiative (We-Fi) by IFC to boost financing for green projects and WSMEs [5].

Finance Facilitating Women's Sustainable Development

The financial sector plays a crucial role in advancing gender equality and empowering women. Through the provision of a range of financial products and services, financial institutions can support women's economic participation across various spheres and foster sustainable development in society.

In 2021, the IFC granted a \$30 million sustainable linked loan to Izmir's Water and Sewerage Administration (IZSU) in Turkey, in Turkish Lira. This funding is allocated to expand rainwater, stormwater, and wastewater pipelines, along with enhancing drinking water treatment capacity, aimed at providing Izmir, Turkey's third-largest city, with more reliable and higher-quality drinking water. The key performance indicators (KPIs) of this sustainable linked loan include not only metrics related to water treatment but also those associated with enhancing local gender equality. For instance, if IZSU hires a minimum of 300 female employees by 2026, the organization will benefit from a slight reduction in the overall interest rate on the IFC loan. For IZSU, apart from the benefits of reduced loan interest rates, it can also widen its recruitment pool for technical positions, lower operational costs associated with gender-based violence and harassment, increase female employment rates in the region, enhance urban water supply infrastructure, and serve as a model for sustainable infrastructure development in the area [6].

Recognizing the challenges female entrepreneurs may encounter in managing their businesses due to distinctive health and familial obligations, the Italian financial institution Intesa SanPaolo Group has introduced "Business Gemma," a tailored insurance and loan combination product for female entrepreneurs, providing protection for business interruptions and personal health. For example, the insurance package addresses various women-specific personal and health needs, encompassing pregnancy, specialized medical examinations, legal proceedings like divorce-related expenses, and specific challenging periods such as widowhood. These individual circumstances have the potential to influence the income-generating capacity of female policyholders, thereby impacting their businesses' revenue streams [7].

In China, XWBank has embraced the IFC's "Gender x Climate" concept and is actively fostering a banking environment that is both "climate-friendly" and "women-friendly." As part of its efforts to promote "women-friendly" initiatives, XWBank has experienced substantial growth in its lending activities targeted towards women. Between 2019 and 2022, the amount of loans granted to women at XWBank surged by nearly five times, accompanied by a nearly threefold increase in the number of female loan accounts during the same period. Starting from 2023, XWBank has engaged in proactive partnerships with organizations like IFC, following the directives of the People's Bank of China and local financial authorities. They initiated the "Chengdu Pilot Project for Coordinated Development of Green and Inclusive Finance," with a focus on small and micro-enterprises and sustainable finance, offering tailored assistance to female entrepreneurs.

XWBank aims to allocate a minimum of 1 billion yuan in credit funds to support 50,000 female entrepreneurs, thereby creating new pathways for economic advancement. In the pursuit of promoting "climate-friendly" initiatives, XWBank carried out its second round of self-assessment on climate-friendly performance, utilizing evaluation criteria tailored for banking and financial institutions. The assessment framework comprises four dimensions: climate corporate governance, climate risk management, climate financing and investment, and carbon footprint management, encompassing a total of 47 secondary indicators. XWBank has addressed 42 of these indicators, achieving a coverage rate of 89.36%. By the end of 2022, through the utilization of digital technology, XWBank has collectively reduced carbon emissions by over 1.45 million tons. In 2022 alone, carbon emissions were reduced by more than 330,000 tons, leading to a decrease in customer travel of nearly 3.6 billion kilometers, equivalent to approximately 330,000 tons of carbon emissions reduction. Moreover, XWBank reduced paper consumption by 600 million sheets, amounting to a reduction of over 10,000 tons in carbon emissions.

Conclusion

Amidst the global climate crisis, investing in women is not only a rational economic decision but also contributes significantly to fostering sustainable development. Women's multifaceted involvement in addressing climate change highlights their crucial role in both social and economic spheres. By prioritizing investment in women, we pave the way for a future that is more inclusive, innovative, and environmentally conscious. Through ongoing advancements in financial strategies and the implementation of gender equality policies, we have the opportunity to use finance as a catalyst for promoting gender equality. Financial products and services designed to be gender-inclusive not only facilitate women's economic involvement but also enhance the resilience and sustainability of financial institutions. As a result, supporting women through investment acts not only as a societal responsibility but also accelerates our collective pursuit of sustainable development goals.



REFERENCES:

- [1] Altunbas, Y., Gambacorta, L., Reghezza, A., & Velliscig, G. (2022). Does gender diversity in the workplace mitigate climate change? *Journal of Corporate Finance*, 77, 102303. doi:<https://doi.org/10.1016/j.jcorpfin.2022.102303>
- [2] 根据中财大绿金院在世界银行集团国际金融公司 (IFC) 的支持下发起的一项调查问卷整理。课题收集了全国范围内210份有效问卷。
- [3] IMF Working Paper. Gender Diversity in Senior Positions and Firm Performance: Evidence from Europe. <https://www.imf.org/external/pubs/ft/wp/2016/wp1650.pdf>
- [4] Shalini Unnikrishnan and Cherie Blair, Want to Boost the Global Economy by \$5 Trillion? Support Women as Entrepreneurs <https://www.bcg.com/publications/2019/boost-global-economy-5-trillion-dollar-support-women-entrepreneurs>
- [5] IFC Invests up to IDR 2.75 trillion in Bank OCBC NISP's Gender and Green Bonds to Empower Women Entrepreneurs and Women-Owned SMEs, Catalyze Green Projects <https://pressroom.ifc.org/all/pages/PressDetail.aspx?ID=25737#:~:text=Bank%20OCBC%20NISP's%20gender%20bond,which%20has%20been%20fully%20deployed.>
- [6] IFC Helps Improve Water Supplies, Wastewater Services for over 400,000 people in Izmir, Turkey <https://pressroom.ifc.org/all/pages/PressDetail.aspx?ID=26440>
- [7] Official cite: <https://www.intesasanpaolo.com/it/business/prodotti/finanziamenti-per-imprese-investimenti-aziendali/finanziamento-business-gemma.html>



**Translation: Daria Gerasimenko, Assistant
Researcher at the International Institute of
Green Finance,
daria_gerasimenko@iigf.com.cn**

Link to the original:

https://mp.weixin.qq.com/s/I4EAixVhBXGI3DQCGLiVvQ_