

Financial services designed for women, by women

Cyprus Women's Co-operative Bank Ltd

In brief

The Cyprus Women's Cooperative Bank Ltd. (WCB), one of the first co-operative banks created by women in the world, started its activities in January 2001 in Larnaca. At that time, some 350 business-minded women in Cyprus founded the WCB, a non-profit lending institution focused on supporting women's entrepreneurial activities. The bank's aim is to boost women's entrepreneurship by providing specialised programmes and easy access to finance.

The bank combines the operations of a financial institution and a co-operative and specialises in small loans of up to €100,000 to SMEs. It offers flexible repayment plans, grace periods of up to two years, interest rates of around 4% and the possibility of accessing funds within 48 hours. It also provides free advice and gives clients access to the bank's professional network.

The bank serves men as well as women, and one-third of its loans have been to men. However women benefit from a discounted interest rate. Thanks to the WCB's contribution, the proportion of women entrepreneurs in Cyprus has increased from around 12% to around 30% in 2012. According to the latest available data (2010), the WCB's deposits grew rapidly from €240,000 in 2001 to €17.8 million in 2009, with loans supporting entrepreneurship amounting to €14.1 million in just three years. In 2009 alone it supported 119 start-ups by women entrepreneurs aged under 39 (as part of the government's *Scheme for Young Entrepreneurs* and provided funding on flexible terms to another 182 female entrepreneurs (as part of the *Scheme for the Enhancement of Female Entrepreneurship*).

The bank is now examining the possibility of starting a women's business incubator.

A women's co-operative founds a bank

The Cyprus Women's Cooperative Bank Ltd (WCB), one of the first co-operative banks created by women in the world, started its activities in January 2001 in Larnaca, under the jurisdiction of the Ministry of Commerce, Industry and Tourism. At that time, some 350 business-minded women in Cyprus founded the WCB, a non-profit lending institution focused on supporting women's entrepreneurial activities. The 350 women founding members put up 400 Cyprus pounds (€680) each, and raised an initial capital of 240,000 Cyprus pounds (€410,000). The members of the WCB's Board of Directors come from the banking, industrial and academic sectors, and represent all districts. They offer their services free of charge. Significantly, the bank was among the first institutions of its kind to have been granted a full banking licence under the co-operative regulations.

The bank's aim is to boost women's entrepreneurship by providing specialised programmes and easy access to finance. That said, it seeks to offer a full range of financial services to both men and women on an equal basis. In particular, the bank aims to:

- enhance the creation and promotion of women-owned businesses, preferably in new fields, by addressing the difficulties in accessing funding;
- cooperate with the government as well as various Institutions in Cyprus and abroad in order to absorb funds and services as part of a number of projects. These sources could be used to provide more flexible loan terms;
- carry out research on women-related issues to inform policy and product/service development;
- organise seminars and workshops in order to support and promote the economic advancement of women-owned businesses (e.g. on preparing business plans).

Although the bank serves both men and women on an equal basis, its primary target client group is women who wish either to start or further expand their own business.

It works in parallel with a number of networks, programmes and projects in relation to women entrepreneurship which are in force in Cyprus. For example, the Cyprus Federation of Business and Professional Women (BPW Cyprus), which was established in 1996, has been supporting women's entrepreneurial activities. Likewise, a number of government-sponsored programmes and programmes are actively promoting women's entrepreneurship. For example, the Ministry of Commerce, Industry and Tourism has been running a *Scheme for the Enhancement of Female Entrepreneurship*. This scheme, co-funded by ERDF for the period 2007-2013, seeks to develop, support and promote entrepreneurship among women aged 18-55.

Within this context, the initiative is of a particular relevance. The bank was an initiative taken entirely by women, who at the time of its establishment raised the initial capital required themselves. However, the Cypriot government also supports the bank and, through the Ministry of Commerce, Industry and Tourism, co-finances the new EU Women's Entrepreneurship project.

The impact of the bank has been considerable. Thanks to its existence, the proportion of women entrepreneurs in Cyprus has increased from around 12% to around 30% in 2012. According to the latest available data (2010), the WCB experienced rapid growth of its deposits from €40,000 in 2001 to €7.8 million in 2009, with loans supporting entrepreneurship amounting to €4.1 million in just three years. In 2009 alone it supported 119 start-ups by women entrepreneurs aged under 39 (as part of the government's *Scheme for Young Entrepreneurs*) and provided funding on flexible terms to another 182 female entrepreneurs (as part of the *Scheme to Enhance Female Entrepreneurship*).

The bank's success underlines the importance of effective networking and lobbying of government and relevant organisations over the years. At the time it was set up, women's absence from decision-making centres, gender stereotyping and the burden of multiple roles combined with societal expectations were obstacles that needed to be tackled. Women had to be encouraged to understand that they can be entrepreneurs, and not just mothers, wives, carers or employees).

Loans, research, seminars and advice

The bank combines the operations of a financial institution and a co-operative and specialises in small loans of up to €00,000 to SMEs with flexible repayment plans, grace periods of up to two years, interest rates of around 4% and the possibility of accessing funds within 48 hours. It also provides advice and gives clients access to the bank's professional network. In particular:

It provides a full range of financial services to existing or would-be women entrepreneurs, e.g. through corporate loans and grants of up to 50% of initial capital requirements through a state grant. The bank played an active role in the creation of the national *Scheme to Enhance Female Entrepreneurship*. At present, it is involved in the two-year EU Women's Entrepreneurship project whose main goal is to develop, support and encourage entrepreneurship by Cypriot women aged 18 to 55;

It works with the government and other key stakeholders in Cyprus and abroad in order to attract additional funds which can then be channelled into entrepreneurial activities in a more flexible and customer-friendly way. For example, the WCB is the first Cypriot organisation that has been involved in EU programmes to promote female entrepreneurship. Likewise, it is part of a number of networks, not only national (e.g. Cyprus Chamber of Commerce, Cyprus Federation of Business and Professional Women – BPW Cyprus) but EU (e.g. Eurochambres Women's Network, European Network of Female Entrepreneurship), Euro-Mediterranean and international (e.g. AIM, SIFRA);

It carries out research on women-related issues in order to inform policy and product/service development. For example, its first project was on Female Entrepreneurial Activity in Cyprus. Its findings were used in the formulation of suggestions for the national *Scheme to Enhance Female Entrepreneurship*;

It organises seminars and workshops in order to support and promote the economic advancement of women-owned businesses (e.g. on preparing business plans);

It offers free advice and guidance on business start-up, development and funding (e.g. in the preparation of the business plan). For example, it provided free advice and guidance to women interested in applying for the national *Scheme to Enhance Female Entrepreneurship*. In general, women who cannot produce a business plan are provided with free consultancy services – a practice that reduces costs through free services. They also receive assistance at all stages to start, develop, and grow their businesses.

The bank has been looking into ways to create a business incubator for companies launched by women. This should enable women to sustain the ventures they launch over the first two most difficult initial years by providing office space, office assistance, mentoring, legal advice, links and networking.

Robust market research

The bank has managed to achieve sustainability since it has been in operation since 2001. Crucially, as its president stresses, the bank has not had one woman default on a loan, even during the crisis of late 2000s. By offering products and services, notably access to funding and support, to women in line with their specific business needs, the bank filled a glaring gap in the market, while by diversifying its portfolio and activities it made sure that it built resilience into its business model. Its long-term success and longevity, even during difficult economic times, is also proof of its efficiency in terms of the use made of its funds and services.

Linked to this is the fact that the bank's business strategy, products, services and customer relationship management have been informed by robust market research and an evidence base. Specifically, the bank conducted the first large-scale research on entrepreneurial activities undertaken by women in Cyprus in order to shed some light on the situation of female entrepreneurs and their profile and, crucially, identify their specific needs and problems. It used this information to develop appropriate products and services and maximise its effectiveness in serving the Cyprus market.

The WCB has actively sought to help women entrepreneurs access finance in an easy, flexible and supportive way, since this was an area where historically women had faced considerable difficulties and discrimination. It has led the way in reducing gender inequalities. For example, although the bank serves men as well, men are charged a standard market rate, not the discounted rate that is available to women. This is not to punish or deter men, but to provide a form of positive discrimination or affirmative action to ensure equal access for women.

Indeed, although the WCB serves women and men alike – one-third of its loans are to men – the bank has a particular interest in enhancing women's entrepreneurial activity. Towards this end, the bank has developed programmes especially aimed at women entrepreneurs, initiated research on women-owned businesses in Cyprus and their financing needs, and has worked with the Cypriot government to design programmes tailored to these needs. For example, it has forged new partnerships especially with the Cyprus Chambers of Commerce and lobbied the Government to take positive measures and change national policy on women's issues. After two years of efforts the Ministry of Commerce Industry and Tourism in collaboration with the WCB and the BPW Cyprus created the *Scheme for the Encouragement, Strengthening and Reinforcement of Women's Entrepreneurship*, under which the government offers 50% grants towards the start-up capital of women's businesses, up to a ceiling of €0,000. 4

The initiative also shows the good practice features of giving women a central role in designing and implementing its interventions, of developing diversified and specific financial services and instruments for women entrepreneurs and of promoting incubation centres.

A successful recipe: flexible tailored loans plus free advice

The WCB addresses a long-standing and genuine need for easy and flexible access to finance among would-be and existing women entrepreneurs. This fact has been a critical factor in its survival and growth and has allowed an effective development of products and services based on robust evidence-based research (against a previous dearth of data). The use of differential (lower) rates for women as a form of positive discrimination or affirmative action has proved to be very effective and the bank has never made a loss. It survived the financial crisis of the late 2000s because women treat the loans as a means of livelihood and approach profit-making seriously.

The bank is successful because it provides financial support on flexible terms and tailors its loans to the real needs of women borrowers. Moreover, apart from access to finance, the WCB provides free advice and guidance on business start-up and development, which are also areas where women are under-served. Through its strong and sustained leadership (the bank's president has been a key driving force since its establishment) combined with its being an all-women initiative with a strong focus on partnership working (which involves banking experts, business owners, and academics) the WCB has won the trust and support of the Cyprus business community and can afford to have an international outlook, including participation in EU programmes.

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