Inclusion Pays: The Returns on Investing in Women in Agriculture

Executive Summary

Root Capital's report, Inclusion Pays: The Returns on Investing in Women in Agriculture, shows that women are economic powerhouses—despite long-standing educational, economic, and social barriers to economic success in the traditionally male-dominated agricultural sector. Our analysis found that **agricultural enterprises with higher levels of women's leadership and participation are more stable, grow faster, acquire more funding after their first loan from Root Capital, default less frequently, and yield higher profits on their loans compared to less inclusive enterprises and those led by men.**

The message is clear: Inclusion pays when it comes to investing in women in agriculture. But our report also shows that this investment should be intentional. To leverage their potential and maximize business results, women leaders and women-led businesses need investment approaches and products tailored to their specific needs.

Root Capital's Gender Lens Investing (GLI) approach can serve as a model for successful investment in gender-inclusive and women-led agricultural enterprises. Over the past 10 years, through our pioneering Women in Agriculture (WAI) program, Root Capital has invested more than $1 billion in small and medium agricultural enterprises (SMEs) founded, owned, or led by women, or that meet a critical level of women's participation as managers, employees, and producers.

Our work through the WAI is grounded in the social and business realities faced by women in rural communities. Since 2012, Root Capital has conducted field-based studies to understand gender-related barriers for women in agriculture and measure the impact of reducing those barriers. Gender-related metrics are baked into our lending due diligence, we provide funding opportunities to promote gender equity, and we tailor our education and training programs specifically to the needs of rural women. Root Capital's lending and business training model proves that it's possible to build a successful gender-inclusive investing portfolio that provides solid business results.

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METHODOLOGY

For this report, Root Capital analyzed nine years of data from active and former borrowers representing more than $1 billion in investments. The data covers 552 borrowers and 1,226 loans and includes longitudinal data on several measures of women's participation and business and loan performance. Borrowers in the study are all small and growing agricultural enterprises working in an array of industries across Latin America, Africa, and Indonesia.

Across emerging markets, the total gender finance gap for small and medium-sized enterprises (SMEs) is estimated to be $1.5 trillion. Although women-owned SMEs comprise about 28% of formal businesses in emerging markets, they account for 33% of the global SME finance gap, with 65% either financially unserved or underserved.

KEY FINDINGS

1. **Enterprises with greater women's leadership and participation have more stable revenues.**

- We found that a 10 percentage point increase in the average share of women managers is associated with a 2 percentage point lower probability of a year-on-year revenue dip of more than 25%.
- On average, women-led and gender-inclusive enterprises see one-third smaller annual variation in revenues compared to men-led and non-gender-inclusive enterprises.
- Enterprises with greater women's participation are less likely to experience substantial revenue dips and variation, which could impact their ability to repay their loan, invest in their business, pay producers and employees, and/or be eligible for future loans.

Investor takeaway: For lenders in particular, greater participation of women can indicate less business instability—and therefore less risk—associated with debt investments.

2. Women-led and gender-inclusive enterprises are very fast-growing.

- On average, women-led enterprises experience year-on-year growth rates of 25.7% (CAGR) and 45.2% (AAGR). Gender-inclusive businesses experience, on average, year-on-year growth rates of 20.6% (CAGR) and 35.1% (AAGR).
- However, gender-inclusive enterprises have, on average, a 28.30 percentage point lower AAGR compared to non-gender-inclusive enterprises, and a 10 percentage point increase in the average share of women employees is associated with a lower CAGR and AAGR of 2.74 and 5.88 percentage points, respectively.

Investor takeaway: Agricultural enterprises with strong participation and leadership of women grow very fast. For investors balancing growth and stability, gender-inclusive enterprises offer strong growth while avoiding some of the tradeoffs of extreme growth observed in less inclusive enterprises.

3. Financing enterprises with greater participation of women catalyzes their access to additional sources of financing.

- Compared to non-inclusive enterprises, gender-inclusive enterprises are associated with a 20.8 percentage point higher likelihood of obtaining new social or commercial financing after having financing only from Root Capital.
- Gender-inclusive enterprises are associated with an 11.8 percentage point higher likelihood of obtaining access to commercial financing after having financing only from Root Capital or another social lender;
- On average, a 10 percentage point increase in the average share of female managers and employees is associated, respectively, with a 3.4 and 3 percentage point higher probability of accessing new commercial financing.

Investor takeaway: Investments in gender-inclusive agricultural enterprises—especially those underserved by investors—can accelerate their access to new sources of capital.

4. Enterprises led by women and with more women employees have lower default rates.

- We found that a 10 percentage point increase in the number of female employees is associated with 1.2 percentage point lower default rate.
- Women-led enterprises have a 4.12 percentage point lower average default rate than non-women-led enterprises, although this finding is barely statistically insignificant.

Investor takeaway: Loans to more inclusive businesses can carry less risk of default. Investors should analyze their risk rating tools against actual default rates to ensure anticipated investment risks—and associated terms—are data-driven.

5. Loans to women-led enterprises and those with greater participation of women are more profitable.

- Controlling for the loan size, region, and industry, loans to women-led enterprises, on average, yield $17,850 more profits than loans to non-women-led enterprises.
- A 10 percentage point increase in the share of female managers and employees is associated with higher loan profits of $1,900 and $4,020, respectively.

Investor takeaway: Contrary to popular misconceptions, loans to women-led enterprises and those with greater participation of women are not costlier to serve; in fact, they generate larger profits than loans to less inclusive enterprises.

ABOUT ROOT CAPITAL

Root Capital invests in the growth of agricultural enterprises that are building a more prosperous, inclusive, and resilient future for rural communities. We expand access to finance for enterprises whose credit needs are too big for micro-finance and too risky for commercial banks. We pair this credit with customized training in financial management, governance, agronomic capacity, and more.

To date, we've distributed $1.6 billion to improve the lives of over 10 million people in farming families. In partnership with agricultural enterprises, we increase rural livelihoods, create jobs for young people, level the playing field for women, and help farmers adapt to climate change in some of the world's most vulnerable ecosystems.

To learn more, visit rootcapital.org.

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