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Interview: Durreen Shahnaz – 'Doing good through finance is not easy'

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The first Bangladeshi woman to work on Wall Street, the author of The Defiant Optimist talks about the role of finance in development and women's empowerment

Author Durreen Shahnaz (Courtesy the subject)

Durreen Shahnaz has had a long career as an enabler of investments in women's livelihoods. Her book, *The Defiant Optimist* presents her philosophy and its role in sustainable development and women's empowerment even as it chronicles her work at Morgan Stanley and in the backstreets of rural Bangladesh.

What does it mean to be an immigrant and a woman of colour in finance today?

Being an immigrant and a woman of colour comes with burdens and responsibilities that one must shoulder. This applies not just to being in the financial sector but also generally in life. It means understanding that some people may view you as representative of your country, race, or gender; it means having to carry oneself with grace when faced with discrimination; it means being assertive about your beliefs and qualifications; it means working doubly if not triply hard to prove yourself.

With all the injustice and bias in the world, it is easy to be angry at the system; but I urge you to harness that anger into action. Let it become your purpose and your North Star, so that whatever you pursue, it is with resilience and vision of a better future.

How have things changed for women since the beginning of your career?

The world is a very different place now from when I started my career in investment banking in New York 34 years ago. While there is more awareness around gender and minority representation, we are still far from seeing a world where gender equality, diversity and inclusion is the norm. Few organizations make a serious effort to go beyond tokenism, often recruiting (and playing it up in their marketing) to give appearances of racial or gender equality, rather than as a concerted firm-wide effort to actively reshape the profiles of key decision makers to reflect real diversity and inclusion. It is also not just about hiring and embracing women and minorities, it is about the majority accepting them as equals and an essential part of the institutional, sectoral and societal growth.

Women and minorities are still underrepresented in decision-making processes at all levels in almost all the countries of the world. And with women accounting for over 50% of the world's population, their voices and transformative potential as solution-providers for global issues such as climate change still remain largely untapped. In fact, while we have taken small steps toward gender equality, the majority of DEI leadership and conversation is being dominated by white women. This ironically casts a shadow on the priorities and agendas today, which may have excluded women of colour.

For true gender equality, we need to have two things. First, we need to recognize that gender inequality is an issue that does not just affect women; it is a global issue that has negative repercussions on everyone – men, women, and gender minorities. Second, we need to recognize that women as a group are not homogenous; they come from different cultural backgrounds, carry different societal baggage, and are in vastly different economical and financial situations. Think about it – would the needs, perspectives and priorities of a woman from the Global North be similar to that of the Global South? Of course not. Only when we recognize ALL women and minorities as solution-makers and empower them to contribute, can we start paving the way for an equitable world.

Your earliest memories are of war. What impact did it leave on you as a child?

War showed me what female courage and heroism looked like. During the Bangladesh Liberation War in the 1970s, I witnessed first-hand as a little girl how my mother rose to the occasion. Despite huge risks, she selflessly hid family members and friends in our home to help them escape death or rape. Even when Pakistani soldiers with guns showed up at our house – where more than 20 people were hidden at one point – my mother did not waver and chatted with them as if they were regular guests to be entertained. Watching my mother use all her creativity to protect our friends and relatives, I realized that while women suffer the consequences of war, they don't always see themselves as victims. They become the solutions that lead toward peace and the rebuilding of our society.

Tell us about your experience of building a social stock exchange.

It is hard to compress so many experiences but in brief, my experience of building a social stock exchange is a journey in defiant optimism. We bootstrapped the company at the start, encountered countless challenges, and faced scepticism from investors. But defiant optimism means sticking to your belief that your work is important. It means banging on door after door until one opens. It means looking hard for solutions and not taking "no" for an answer, because I was representing not myself, but the thousands of small business owners, women entrepreneurs, and families who are excluded from the market and financial system that only worked for the 1%. It meant searching for the right partners, people who, like me, deeply believe that profit does not need to come at the expense of social and environmental well-being.

14 years later, my company Impact Investment Exchange not only built social stock exchanges (first with the Mauritius government and then of our own – Impact Partners), but also launched the award-winning Women's Livelihood Bond (WLB) series, which has mobilised more than US$128 million (WLB 6 at $100 million is being launched now) and impacted over 1.3 million women across Asia and Africa. We have proven that finance for the 99% is not simply a matter of altruism; it is financially sustainable and globally transformative. It is worth noting that with over $300 million out in the market (between Impact Partners and WLB), we have never had a loss. If you create deep positive impact in the community, your organization will be loved and respected by the community.

In terms of India, IIX has invested $72+ million in the country, impacting the lives of over 26 million people. We are very proud that we could create such positive change in India and connect all these millions of women to the world's financial markets as solid participants.

256pp, Rs499; Penguin India

What has been the most challenging task in bringing social and environmental equity into financial markets?

The most challenging aspect has been changing deeply ingrained and unconscious bias that has been systemic for so long. My experience has been that it is not about the strength of the business nor the soundness of the financial instruments we have designed; once investors see a woman helming IIX (not to mention a woman of colour), they see risk. A woman leader is respected when she is representing a well-established brand. When you are a woman entrepreneur, making the financial system embrace social and environmental equity, it is a tough journey. Hence, I had to be practical and have people whom the investors would feel "comfortable" with. That meant, I had to have men (White, Indian, Chinese) front the investment for us – people of similar demographic profiles as most of the investors, and this strategy worked.

I realized that you need to lose some battles to win the war. The "war" for me was to create a financial system that works for the 99%. I lost many battles getting to victory, but the battle scars were worth the journey.

I also showed effectively the "math" of bringing social and environmental equity into investment. While investors will say they care about doing good, don't be fooled. They care about doing good only when they know they will get their financial return. Thus, the onus was on us to prove that in the financial world of "risk-return" there is a new element and that is impact. We educated the investors on risk-return-impact (RRI) and how the right RRI created a whole new vibrant portfolio theory. It is not just measuring the impact but also verifying and we did that – to the last mile. So, the risk mitigation and impact creation for the investor was very real. Then they, of course, saw the manifestation of it all through the financial and social return that they got from their investment.

Doing good through finance is not easy but we now have the tools to do so. It is incumbent upon all of us to use those tools to make the world more inclusive and equitable.

What was your experience with India and associating with the country's social enterprises?

IIX has a deep and long-standing relationship with India through extensive impact measurement research initiatives and deep investments in the country. Additionally, one-third of our staff is from India.

IIX has studied the Indian social enterprise landscape in depth, profiling 150+ enterprises in various sectors through an impact-driven data-centric approach. IIX has subsequently developed strategic insights to catalyze impact investments toward enterprises that demonstrate congruence with IIX's Risk-Return-Impact framework. IIX's Research & Advisory team has helmed 10+ projects in different sectors and regions in India with one unifying goal – to build an impact-investment-ready ecosystem. IIX's private placement platform Impact Partners has provided technical assistance to 44 impact enterprises and successfully facilitated investments worth US$20 million into 23 impact enterprises in India.

IIX's award-winning Women's Livelihood BondTM (WLB™) Series comprises of a multi-country, multi-sector portfolio of companies and has the highest geographic exposure to India for the past three issuances. To date, over nine SMEs from India have been included in the WLB™ Series, receiving over US$50 million in the form of term loans to empower over 36,000 women and girls across the country to advance economic growth and climate resilience. The upcoming US$100 million WLB6, to be issued in Q4 2023, will continue to invest a significant part of the proceeds in SMEs across India that recognize women as solutions to prosperity, progress, and planetary resilience. Through these Bonds, IIX has actively brought Indian SMEs into the wider Orange Bond Initiative, the world's first debt asset class for investing in gender equality.

What's the next step for you in your journey of doing social good through finance?

We will launch the sixth issuance of our Women's Livelihood Bond (WLB) Series of $100 million in Q4 of 2023. With five issuances since 2017, I am proud to say that we have not had a single default – even throughout the COVID-19 pandemic. We have successfully created this new financial instrument that delivers stable returns and sustainable impact to investors.

However, finance is only one way of doing social good. We are now setting our sights on making the world 'Orange'! Orange is the colour of Sustainable Development Goal 5 for gender equality – for women, girls and gender minorities. So, we are bringing gender equality and climate action together with our work with Orange Bonds, creating Orange tagging for financial products in the market, and putting out Orange Seals for all businesses to show that they are practising gender equality and climate action through their operations.

Building a gender-equal future is a journey. At IIX, we have been laying the bricks for 14 years, and while we are only starting to see the structure, I am hopeful that with our team and fellow leaders, there will come a day when women's voices are heard when they start on a level playing field.

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