DIGITAL FINANCIAL SOLUTIONS TO ADVANCE WOMEN'S ECONOMIC PARTICIPATION

How governments, private sector and development organizations can bring more women into the global economy through digital financial services

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Executive Summary

G20 Leaders agreed in 2014 on the clear need to enable more women to participate in the global economy. Specifically, the 2014 G20 Leaders' Communique established the goal of "reducing the gap in participation rates between men and women in our countries by 25 percent by 2025, taking into account national circumstances, to bring more than 100 million women into the labor force, significantly increasing global growth and reducing poverty and inequality."

Digital financial services are instrumental to achieving this goal, because they increase women's financial autonomy, support women's participation in the labor force, and improve the performance of their businesses. Digital financial services also advance the third G20 Principle for Innovative Financial Inclusion, which advocates the use of technological and institutional innovations to expand access to financial services. Principles like this are crucial to boosting economic participation for more than 2 billion people worldwide who currently lack access to formal financial services. Most of whom are women.

This executive summary outlines the role of digital financial services in improving women's economic participation, the challenges of increasing women's access to digital financial services, and the opportunities governments and other sectors have to foster an inclusive global economy in which digital financial services are widely available to everyone, especially women.

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Digital financial services accelerate financial inclusion, which is essential to women's economic empowerment.

Digital financial services offer a viable solution to bridge the gender gap in account ownership and increase formal financial activity in both the volume and value of transactions. Digitization can produce a favorable environment that promotes transparent, affordable, accessible and high-quality financial products and services for women. The outcomes include providing women the ability to save formally, which could increase their formal participation in the economy.

Digital financial services can give women greater control over their finances and financial decision making.

Women particularly value privacy and reducing the risk of family members confiscating funds. Digital financial services also reduce travel and waiting time to access banks or make payments for services such as utilities, and they lower the risks of traveling with cash.

Digital financial services can increase women's labor force participation.

This includes giving women greater opportunities to work remotely from their homes or communities.

Digital financial services can improve the performance of women-owned businesses.

Improving access to credit, increasing access to insurance, reducing the risks of theft, and lowering administrative and disbursement costs are all ways that digital financial services support women-owned businesses. The financial footprint made possible through digital payments also allows for alternative methods of assessing the creditworthiness of women who do not have traditional credit assets or a financial transaction history.

Demand-side, technology, supply-side, and infrastructure challenges are barriers to greater access to digital financial services among women.

DEMAND-SIDE Women face social, cultural and systemic barriers that limit demand for – and use of – digital financial services. For example:

- To an even greater extent than men, women often lack the identification documents needed to open formal accounts. According to World Bank research, 2 billion people worldwide in 2014 did not have any formal identification document, disproportionally women.
- Women have low financial independence and financial autonomy in many economies. Women and girls often do not have equal access to education, and this continues to have a negative impact on their broader opportunities.
- Women, on average, are less financially literate.
- Women have lower technology adoption rates and greater risk aversion in many countries.
- Social and cultural sanctions prevent women from accessing financial services. For example, starting a business in a developing country often requires a visit to a major city center; but in many countries it is difficult or unacceptable for a woman to travel freely.

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DEMAND-SIDE, TECHNOLOGY, SUPPLY-SIDE, AND INFRASTRUCTURE CHALLENGES ARE BARRIERS TO GREATER ACCESS TO DIGITAL FINANCIAL SERVICES AMONG WOMEN CONTINUED

TECHNOLOGY While technology offers a viable solution to address physical access barriers, many women do not have access to or control of technology, including mobile phones and the Internet.

SUPPLY-SIDE Legal, social and systemic barriers limit digital financial services from being offered or successfully marketed to women. For example:

- In some countries, women lack rights to own property and other physical assets, or are required to get a man's signature to access formal financial services.
- The design and marketing of digital financial applications usually are oriented toward men.
- Inadequate data privacy and data protection, as well as poor or non-existent recourse in digital financial services can affect women disproportionately, given their typically lesser mobility and more limited technological and financial literacy.

INFRASTRUCTURE Broader infrastructure issues limit the use of digital financial services among both women and men who do not have access to the digital services. For example:

- Technology and network infrastructure is not always accessible or reliable, which can discourage women from adopting digital services. This often is due in part to poor connectivity, because most developing countries still use 2/2.5G services and even those services are not universally and reliably available. Spectrum is a scarce public resource, and how governments allocate this resource has significant implications for affordability and access.
- The legal and regulatory environment does not enable mobile phone-based or other non-bank transaction services, and it does not encourage the development of a digital payments ecosystem.
- Many countries lack policy integration between the banking and telecommunications sectors, particularly in relation to the following: taxation, proportional risk-based Know Your Customer (KYC) rules, a digital identification system, and flexible agent requirements.

The benefits of digital financial inclusion provide a powerful basis for governments to act. Governments will unlock an economy where digital payments are widely available to women if they take action to:

- Digitize the payments and direct benefit transfers they make and receive. This presents governments with a powerful opportunity to expand women's financial inclusion, while also reducing economic leakage caused by corruption, fraud, and other inefficiencies. In so doing, governments help make the business case for private sector innovation and investment in commercial services to reach low-income women. For instance, 80 million unbanked women around the world receive government wages or transfers in cash.
- Adopt and promote a financial customer protection framework to ensure that new female customers are treated fairly and have sufficient financial skills so they know and trust digital financial services enough to adopt them. This should include adequate disclosure requirements and legally authorized redress mechanisms.
- Leverage new technologies, such as biometrics, to overcome the lower levels of technical adoption and literacy among women in some countries.
- Create a digital financial identification system.
- Provide a favorable regulatory environment that allows mobile financial services to be offered and aligns banking and telecom sector regulations.
- Reform discriminatory policies that, in practice, make it harder for women to access or adopt digital financial services. Examples include requiring property or physical assets as collateral where there are limitations to women's ownership or requiring the signature of a man's to open an account or to borrow.
- Digitize business registration procedures and license fee payments.

Large businesses, including retailers and technology companies, can expedite the creation of an economy where digital financial services are widely available to women if they take action to:

- Leverage their status as large payers and payees to increase access to – and adoption of – financial services by paying wages through digital financial channels, developing a digital supply chain, and increasing electronic payments by retailers.
- Invest in providing services through mobile phones or the Internet or other digital channels, which could contribute to bridging the gender gap in ownership and use of digital devices and services.
- Ensure interoperability to increase the convenience and ease of using digital financial services.
- Address issues related to low levels of technical and financial literacy, especially of women.
- Provide a robust and reliable network for financial transactions as well as strong customer support to help address questions and deal with complications in the process.

The financial services industry is in the unique position to address many of the challenges and barriers and make digital financial services more widely available to women if it takes action to:

- Collaborate with other companies and governments to increase women's use of services while lowering transaction costs by building an inclusive digital payments ecosystem.
- Leverage new technologies, such as biometrics, to overcome the lower levels of technical adoption and literacy among women in some countries.
- Develop alternative credit scoring models. This can be done by using data derived from mobile phone use or utilizing alternative methods designed for women who do not have access to traditional credit assets or a credit history.
- Design products and services to meet women's unique needs and preferences.
- Contribute to the adoption of a financial customer protection framework.

International donors and funders can play a significant role in supporting digital financial inclusion if they take action to:

- Supporting the policy and regulatory environment for digitization of financial services.
- Funding market infrastructure, particularly in partnership with digital financial service providers, to help product and service providers meet market demand.
- Support appropriate consumer protection frameworks at regulatory and industry level.

CONCLUSION Much greater participation by women in national economies can be an essential driver of macroeconomic growth and stability in the years ahead. Yet female participation in the labor force has remained stagnant. It has even declined in some countries. Turning the tide requires innovative and informed policies and strong leadership. As this paper explains, it will be vital to fully leverage the potential of digitizing payments. Greater use of digital financial services can accelerate the inclusion of hundreds of millions of unbanked women in formal financial systems, leading to better lives for women and their families and more robust and inclusive growth.