

Women's World Banking

Deepening Financial Inclusion for Women in the Pacific Islands: Executive Summary



For more than 30 years, Women’s World Banking (WWB) has worked to understand women’s financial needs and the ways in which financial services providers can both serve and empower women. To integrate women into the financial sector, it is critical to first understand their lives: the cultures in which they live and work, their roles as caregivers and their financial needs and goals. We must also acknowledge that cultural and socioeconomic constraints often affect their ability to access financial services or grow their businesses. This is why market research is so vital for WWB. Listening to women discuss their financial lives lies at the heart of our research; through this, we can understand the major barriers that impede their inclusion in the financial sector. Understanding women’s challenges is thus imperative to closing the financial inclusion gap. WWB’s success during the past 30 years has been based on our ability to understand their lives and develop appropriate, responsive solutions.



In 2012, WWB turned to understanding women’s financial barriers and opportunities in the Pacific Islands for the first time with support from the New Zealand Aid Programme. As the Pacific region continues to evolve into a modern monetary economy with increasing financial pressures, the opportunities and needs are greater than ever to develop and scale financial solutions to give women more opportunities to grow businesses and meet their household needs. The Pacific region is unique in many ways—in geography, scale and culture for example—making it particularly important to develop microfinance models specific to the Pacific context. This executive summary, based on qualitative research WWB conducted in May 2012 in partnership with Nationwide Microbank (NMB) in Papua New Guinea (PNG) and Women in Business Development, Inc. (WIBDI) in Samoa, focuses on challenges and opportunities facing low-income women entrepreneurs in these countries. WWB’s findings, which are relevant to women not only in the Pacific but also elsewhere in the world, suggest ways to deepen financial inclusion for women. While financial institutions in every region operate in unique circumstances, we have found great scope for cross regional learning. As we increase our understanding of the Pacific region, we will draw on our global experience.

WWB’s approach to market research, the foundation of all its projects, involves going beyond simply asking about preferences and money management to exploring underlying factors that are critical in delivering tailored financial services to women, including cultural patterns of gender, identity, status and household relationships. Through WWB’s focus groups and in-depth interviews with low-income women in PNG and Samoa, WWB sought to:

- understand how gender identities and intra-household dynamics influence women’s financial behavior,
- explore whether products are tailored for women and women’s satisfaction levels with current financial services,

- identify solutions that would bring more women into the financial sector; and
- identify types of support opportunities that could enable women's business and financial growth and development.

WWB's research, conducted in both rural and urban areas, consisted of 22 qualitative research sessions with 65 participants (60 women, 5 men) in Kimbe, Port Moresby and Boera in PNG and 12 sessions involving 32 participants (all women) in villages and towns near Upolu and Savaii, Samoa. WWB also conducted 14 interviews with key donors, financial institutions and practitioners in the Pacific region, including South Pacific Business Development (SPBD).

WWB selected PNG and Samoa as case studies to provide different views of the issues facing women in two sub-regions of the Pacific, Melanesia and Polynesia, respectively. Although PNG and Samoa differ greatly and do not represent the full diversity of the region, women in both countries face both structural barriers (systemic cultural and socioeconomic characteristics that are common to all or most women) and circumstantial barriers (factors arising from each woman's personal circumstances, including household dynamics, level of education, economic activities and access to opportunities and can be common but may not be applicable to all women) that limit the ability of women to grow businesses, control their financial resources and access financial services.

This brief highlights opportunities for practitioners and donors in the Pacific region based on a draft research report that is forthcoming and will be available on the WWB website in Spring 2013.

INSIGHTS INTO ACTION		
	RESEARCH FINDINGS	ACTION
SAVINGS	Women are primary savers in the household, for emergencies and education	Invest in developing savings products that help women achieve their goals
HEALTH MICROINSURANCE	Women, as caregivers allocate significant savings for health expenses	Develop microinsurance product that helps women weather emergencies
TECHNOLOGY	Women in certain contexts face mobility constraints and cannot easily access bank branches	Work with MFIs to expand agent and mobile banking

Opportunities for Practitioners

Goal-based and low-cost savings

Goal-based savings encourages clients to save toward a self-identified goal. Having a goal encourages and motivates clients to save and promotes confidence and independence in women by teaching them to set realistic and achievable savings goals. As with women around the world, these goals include emergencies, daily household needs, health, housing, children's education and old age. The research found that while having goals is common, it was uncommon to have a clear plan to achieve them. Financial institutions in PNG and Samoa offer savings accounts yet do not show clients how they can use the accounts to save towards their goals. This is particularly common for savings accounts associated with salary payments in natural resource enclave developments in PNG, which employ large numbers of low-income people. Workers receive their pay through salary accounts yet most fully withdraw their earnings through an ATM (and are subject to high fees for doing so) and are not aware of the benefits or features of the accounts. Women in both PNG and Samoa demonstrate a clear need for savings accounts that they can use to meet their financial goals, but tend to have low awareness of financial institutions and the benefits of financial services and in PNG there is a mistrust of banks due to high bank fees. Specific opportunities include:



- **Implement goal-based marketing:** WWB's approach advocates that investments in marketing and reputation building are critical to promoting goal-based savings. WWB works with MFIs and banks to package and market savings accounts with messages to encourage women to set savings goals and contribute regularly, even in small amounts. Effective marketing can help to educate and inform the market on how formal savings can help clients.
- **Remove or lower maintenance fees:** In PNG, commercial banks and for-profit MFIs could better respond to the needs of low-income people by designing accounts with low or no maintenance fees. To compensate for the reduced revenue from fees, institutions can seek ways to lower operating costs through promoting mobile phone transactions. Another way to reduce the cost of servicing accounts would be to cross-sell income-earning products such as credit or insurance.

Confidentiality and support against gender-based violence

The research found a particular need for privacy in both countries, driven by constant demands to share money with family and community. In PNG, the need for privacy also emerged from threats of domestic violence where significant conflict occurred around the control over money. The research showed that there is a strong linkage between money, household conflict and violence. While reducing gender-based violence is not an explicit goal of financial institutions, this report asks the microfinance sector and donor community to consider ways that it can help prevent violence against women or at

least help women in this situation protect their money and assets. Some ways to help can include offering safe, secure and confidential financial services that women can independently operate without others finding out. Specific opportunities include:

- ***Train staff to be conscious of client's household/domestic situations:*** Institutions can train staff to be conscious of their client's situations of household conflict and violence and develop strict privacy protocols. At WWB network member SEWA Bank in India, loan officers are trained to be very sensitive to the needs of women with regard to domestic conflict and do not require a signature or any inputs from family members to take a loan. If a woman does not want her husband to know that she is taking a loan, loan officers will make sure that they do not visit the house for loan repayments at a time when the husband is present. This approach does have potential to backfire; women who hide accounts may be subject to more violence when others find out that she has done this. WWB advocates that it is a woman's personal decision to decide if a 'secret' account is appropriate for her situation and that the role of financial institutions is to protect this privacy. WWB welcomes discussion from the donor and practitioner community on this issue.
- ***Share information on relevant services:*** Financial institutions can also share information on services available to women in each city, town and province in relation to violence, such as magistrates and village courts, hospital and legal counseling services and NGO services. The relationship between gender based violence and the provision of financial services is not yet fully understood. As findings emerge, implications for women-focused product development will be significant.
- ***Ensure independent access to accounts:*** Confidential access can be achieved by providing women with a secret PIN to access her account or providing women with photo identification cards that must be presented for account access. Biometric ATMs, while expensive, can also offer a way to ensure that only the account holder can access funds from a savings account.

Mobile phone banking

Historically, high costs of doing business, geographically dispersed populations and poor infrastructure have made efforts to penetrate the Pacific market challenging. Yet, with high usage rates for mobile phones, there is emerging promise that mobile phone banking can make expansion much easier and less expensive. This research also found that there are specific benefits to women: women value mobile phone banking because it allows them to confidentially make financial transactions and in PNG, women value this service because it enables them to avoid traveling long distances to reach bank branches, which can be dangerous and expensive. It also helps them avoid long and time-consuming wait times at bank branches. For financial institutions, these efforts do require substantial time, effort and cost to operationalize yet the outcome can have dramatic effects on financial

Financial Products and Gender Based Violence: Colombia

In 2013, WWB launched a new initiative that will track the incidence of intimate partner violence against the financial behavior of women using savings accounts over an 18-month randomized control trial. The aim is to test how having access to safe, secure savings affect women's ability to deal with intimate partner violence. This initiative will be conducted in Colombia in collaboration with Princeton University, Fundación WWB Colombia and the International Planned Parenthood Foundation.

inclusion and improved client satisfaction. There are a number of ongoing initiatives to bring mobile phone banking to the Pacific. Digicel launched a mobile money program in 2011 that allows remittances to be sent from Australia and New Zealand to Tonga, Fiji and Samoa. The IFC and ADB are currently operating large-scale programs to expand mobile phone banking in PNG. NMB has also launched a pilot test of a mobile phone banking platform called MiCash in PNG. Specific opportunities to ensure that women benefit from these programs include:



- **Complement programs with training:** The research found some challenges with building technology literacy with women, who may be less likely to be familiar with using mobile phones and who may have lower levels of general literacy. Despite verbal explanations from sales staff, the research found that some women (and men) could benefit from additional training or guidance on how to make transactions on their phones.
- **Track gender-disaggregated data:** Institutions should also use gender-disaggregated data which banks such as NMB are using to monitor the outreach levels to women. NMB has targets in place for how many women they hope to reach through the MiCash program.
- **Build upon functionality:** Both men and women were interested in other services including bill pay for school fees and utilities and linkages to salary payments (in natural resource enclave developments in PNG, for example, which employ large numbers of low-income people). In Samoa, ways to electronically send church tithes and receive international remittances could be very popular.
- **Use phones to improve communication with clients:** In addition to financial transactions, institutions can also use phones to keep in touch with clients, which would be especially useful in PNG due to the difficulty of physically meeting with clients in remote parts of the country. This can include, but is not limited to, SMS reminders for loan repayments and motivational and educational messages or videos to encourage regular savings.

Product diversification through individual business loans and leasing

With women visible in markets but often unserved or under-served by financial institutions, there is significant room to expand the provision of business loans in the Pacific to include individual loans and leasing options. In PNG, current options only allow clients to borrow a percentage of their deposits, such as NMB's Speed Loan. In Samoa, only group loans are currently available for smaller-scale entrepreneurs and women often face significant social pressure to share these loans with family members or use them for personal consumption. Opportunities for product diversification include:

- **Introduce individual business loans:** WWB's approach to loans centers on individual appraisal-based lending, where loans are made to one person

Recognizing Women's Invisible Economic Contribution: Paraguay

The economic contribution of women in rural communities is often undervalued or invisible. WWB has found that women often do not identify themselves as important contributors to the household income even in situations where they contribute a significant portion of household income. Research in Paraguay found that agricultural activities managed by the husband were overestimated by loan officers while the non-farm income-generating activities managed by the wife were not analyzed correctly. In 2012, WWB debuted a project to adapt individual lending products for rural women based on a true assessment of all household income. This involves training loan officers in whole family analysis and adjusting product features to ensure they work for women.

on the basis of an objective assessment of household and business cash flows without collateral. In Samoa, the introduction of individual lending and methodology would give larger-scale entrepreneurs an alternative to group lending and may be appropriate for those with growing businesses. In PNG, appraisal-based lending could be a way for institutions to offer more secure and larger loans as an alternative to current loans on the market. It can also help to expand access to women who do not have collateral in their names. The development of individual lending programs requires significant training and institutional capacity and may not be appropriate for every institution. Before implementing an individual lending program, the institution should undergo an institutional assessment, which can be done by a technical assistance provider.

- **Introduce leasing products:** In Samoa, institutions could also consider developing leasing products, given the social pressure to share cash loans and to use loans for personal consumption. Leasing options would better enable borrowers to acquire and retain a business asset without pressure to distribute cash from a loan and without the temptation to spend loans on personal expenses. Leasing could be offered for capital equipment or vehicles for business use.

Financial education and marketing

With a nascent but growing financial services sector in the Pacific and a population of women (and men) who are not very familiar with using savings accounts and loans, investments in financial education are critical. Financial education could cover topics such as creating goals-based savings plans, maximizing the potential of remittances and making a plan for how to generate income from and repay a business loan. WWB's work in this area has shown that adults do not respond well to traditional classroom-based trainings, which also tend to be quite high-cost and labor-intensive. Rather, financial education seems to work best when embedded within a comprehensive and interactive marketing, promotions and sales approach. WWB recognizes that not all financial services providers have the resources to invest in financial education programs. While there are initial investments required, such as curriculum development, they can bring significant returns to institutions as it creates and articulates demand for products. Opportunities in financial education and marketing programming include:

- **Develop community-based financial education:** NGO-MFIs can introduce financial education in communities by forging linkages with existing community based kin-groups. For example introducing financial literacy at events associated with 'wantoks' or 'fa'alavelave'¹. Another approach would be to implement doorstep banking (doorstep loan collection)

¹ Kinship and community networks are central to Samoan life and extended families are expected to live together and support each other as well as the church. This community-based system of sharing money is known as 'fa'alavelave.' The 'wantok' system is a social system where members of the same ethnic group, family or district assist and depend on one another in social and financial matters.

Bringing the Bank to a Woman's Doorstep

Women's World Banking is working with SEWA Bank (India) to help increase the number of women who have savings accounts and the frequency with which they save, through financial education and marketing. As part of the project, SEWA is testing ways to systematically embed financial education into existing interactions with the bank. It is bringing financial education to the neighborhoods in small group settings during which clients create savings goals and plans. Bank staff follow up on the savings plan the client creates and reinforces financial education during home visits often using an iPod Touch that provides balances, interest information and maturity dates as well as financial education videos.

run by trusted women from the community. In the case of Samoa this can include representatives from village-based women's committees (Komiti).

- **Create social communications:** Commercial banks and for-profit MFIs can consider forming partnerships that will allow them to embed financial education messages as part of popular television shows or purchasing advertising time during popular television or radio shows that target women.
- **Hold branch level educational events:** Hosting branch level educational events allows institutions to build financial literacy and sell products at the same time. Clients are able to open accounts there and then, so they can act on their knowledge immediately.

Business development services

Business development services could help women in the Pacific build stronger businesses. Services could include market linkages and training in new sectors and value-added products. Successful business development programs are generally coupled with the formation of women's groups or networks. Women are either linked along various value chains and/or organized around groups for business purposes where they receive mentoring on business development on a continuous basis. Successful examples that can be replicated by commercial banks, for-profit MFIs and NGO-MFIs include PACT's WORTH program in Myanmar, the Inclusive Finance for Underserved Economy (INFUSE) in Timor Leste and the Competency-based Economies through Formation of Enterprise (CEFE) program operated through the United States Labor Department in Latin America, Asia and Africa. The IFC has also recently launched a business development training program called Business Edge in PNG, which trains business owners to sell Digicel mobile phone products across the country.

Business development services come with high costs to financial institutions or NGOs. These costs are traditionally covered by donor funding and strategic business partnerships. WIBDI's approach uses funding from several donors including the New Zealand Aid Programme to train and provide livelihood opportunities to women organic farmers, artisans and coconut oil producers. WIBDI currently has a business partnership with the Body Shop to link its clients to wider markets.

Opportunities for donors

Donors in the microfinance industry can support the development of women-focused microfinance services in the Pacific in many ways. A key strategy can be to channel funding toward the implementation of the opportunities described above. This can be supported through funding institutions directly or by providing funding through an international or local technical assistance provider. Often the start-up costs are high for new initiatives and this type of support would enable institutions to try

Providing Leadership Capacity for the Double-Bottom Line: WWB's Center for Microfinance Leadership

The microfinance industry continues to change rapidly—both in expanding its definition of financial inclusion and in the diversity of actors in the industry. As products and institutions become more complex, effective leadership is emerging as the determinant of whether an institution can keep pace. Visionary leaders who are committed to their MFI's mission are critical to sustainable and responsible growth within the microfinance industry. Without strong leaders at the helm, microfinance institutions risk losing sight of how to best serve their clients in an increasingly complex environment. WWB's Center for Microfinance Leadership is unique in that it explores leadership development capability with an explicit focus on building principled, diverse leaders committed to the double bottom line of financial returns and social progress. In 2012 the Center delivered the Women in Leadership Program for high potential women working in microfinance and other development

new avenues to broaden financial inclusion and outreach to women.

In addition, donors can take parallel steps toward deepening financial inclusion in the Pacific.

- **Support exchange visits with other financial institutions:** WWB's network offers many potential exchange sites and learning opportunities for practitioners in the Pacific. Latin American institutions can provide the Pacific with examples of solid operations and scalability in similarly high-cost environments. Beyond Latin America, there are useful country examples in East Africa of mobile phone banking technology and in South Asia of financial education and client-centric product design.
- **Support leadership development:** Leadership development is critical for driving client-centric product innovation and growth in the reach and scale of microfinance institutions. Effective leadership is crucial for financial service providers to keep pace and grow within the increasing complexity of microfinance markets. Leadership training programs tailored to the Pacific context can help position executive and middle management teams for success.
- **Commission impact assessments of donor programs:** Donors have been involved in the Pacific with a variety of programs for many years. Rigorous quantitative impact assessments of programs could show which programs have led to greater increases in financial inclusion and which have not. This would enable donor programs to better target future funding.

Conclusion

There are exciting but challenging opportunities for microfinance institutions, donors and clients to deepen financial inclusion in the Pacific region. High costs and small markets have been challenges for donors and practitioners in the Pacific for many years but understanding and overcoming the barriers faced by women and taking best practices from around the globe may help the region to grow and empower more women. WWB recognizes that improving access to finance for women is just one piece of the puzzle and that other socioeconomic and cultural inequities also need to be addressed through broader education and reform efforts.

The views expressed in this report are those of the author(s) and do not necessarily reflect the position of the New Zealand Government, the New Zealand Ministry of Foreign Affairs and Trade or any other party. Nor do these entities accept any liability for claims arising from the report's content or reliance on it.



Women's World Banking (WWB) is a global network comprised of 39 leading microfinance institutions from 28 countries, serving more than 19 million clients, 73 percent of whom are women. The outstanding loan portfolio of the networks amounts to US\$ 6.9 billion compared to a savings portfolio of US\$ 4.4 billion. Although its members are diverse in geography, size and structure, they are all united by the firm belief that microfinance must remain committed to women as clients, innovators and leaders. WWB designs and tailors, together with its network members, financial products that match the needs of their female clientele. Women not only have access to financial services but also gain control over their assets. By replicating and scaling these innovative approaches, WWB will prove that investing in women can be profitable and at the same time generate positive social benefits in form of a strong multiplier effect on the well-being of their households and communities. In addition to a female specific product design WWB supports its member institutions to develop principled, visionary leaders and meritocratic organizations through its Center of Microfinance Leadership with a strong focus on gender diversity—a commitment that dates back to its establishment as a global network in 1979.

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